Market review May 2021

Stock market performance was once again extraordinary in April. US indices were up by more than 5%, while in Europe the increase was more cautious, between 1 and 3%. The reasons for this increase are the strong support of the economy by central banks, massive government stimulus packages, but also the prospects of reopenings which are finally becoming concrete thanks to the vaccination campaign. Corporate earnings releases for the first quarter of 2021 also provided positive “momentum” to the stock markets. Annual comparisons have obviously benefited from a huge base effect, but the quality of these results is, in absolute terms, remarkable and the outlook for the rest of the year is quite optimistic. It is therefore logical to note that a large majority of companies published results that were well above consensus expectations. Growth stocks regained their leadership and banking stocks were also seeked out in a reflation context. As for commodities, those that benefit the most from rising inflation, such as copper (+26.5% in April to reach its all-time high), have appreciated strongly. Oil also increased strongly (+6.7%). As a reminder, in April 2020, the latter suffered its biggest "selloff" in history by posting negative prices!
There was not much activity on interest rates. The US 10-year yield (1.62%) contracted slightly, while the 30-year yield fell back below 2.30%. The spread between the 2 and 10 year yields also narrowed to 146 basis points. After a good start to the year, the US dollar fell against most currencies while the Swiss franc, considered as a safe haven, appreciated.

Weisshorn Asset Management SA – 7, rue des Alpes, Case Postale 1800. CH – 1211 Genève 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

Market trends at the end of April 2021

	Equities in Local Currencies							
End of April	MSCI World	S&P 500	EuroStoxx	CAC	Spain	Switzerland	MSCI EM	CSI 300
Perf 1 Month	4,52%	5,24%	1,42%	3,33%	2,74%	-0,23%	2,37%	1,49%
Perf 3 Month	10,41%	12,57%	14,17%	16,12%	13,63%	4,07%	1,36%	-4,27%
Perf YTD	9,25%	11,32%	11,88%	12,93%	9,18%	2,98%	4,36%	-1,68%

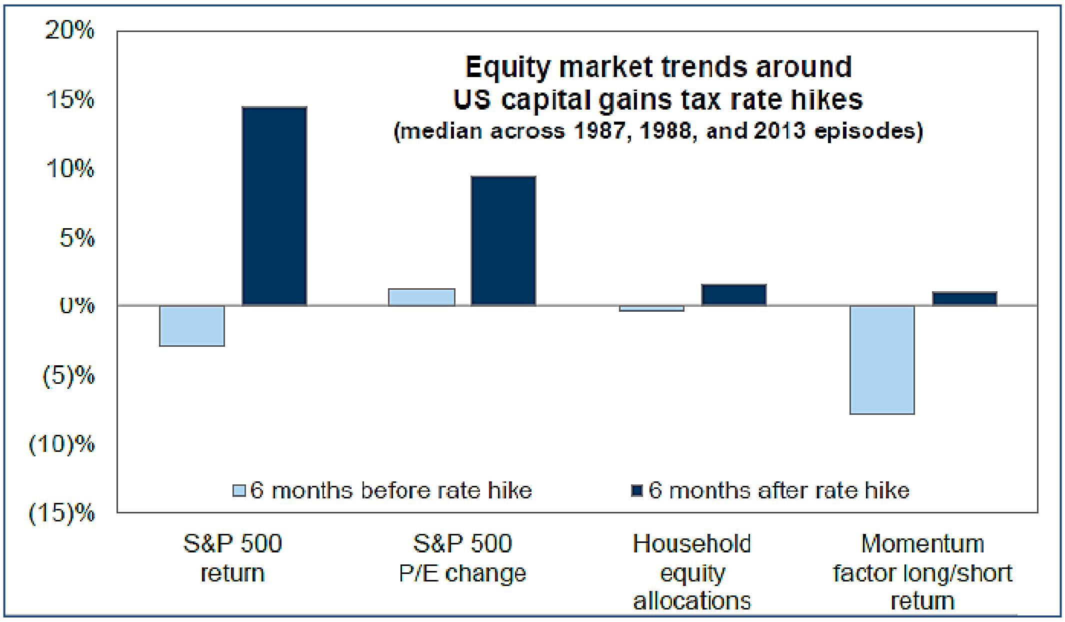
	Commodities				Currencies vs EUR			
End of April	WTI Oil	Brent Oil	Gold	Copper	USD	JPY	GBP	CHF
Perf 1 Month	7,47%	5,84%	3,60%	11,83%	-2,40%	-1,17%	-2,20%	0,84%
Perf 3 Month	21,80%	20,35%	-4,25%	25,06%	0,98%	-3,25%	1,82%	-1,53%
Perf YTD	31,04%	29,83%	-6,81%	26,51%	1,64%	-3,97%	2,74%	-1,51%

	Bloomberg Indices Bonds Total returns							
End of April	Global Aggregate	US Aggregate	Euro Aggregate	US 10 Year Treasury	German 10 Year Bund	Global Credit	Global High Yield	Emerging Sovereign $
Perf 1 Month	-1,92%	-1,25%	0,11%	-2,46%	-0,59%	-1,87%	-0,93%	-1,25%
Perf 3 Month	-4,46%	-3,37%	-1,90%	-5,82%	-6,35%	-4,17%	-0,95%	-3,48%
Perf YTD	-4,46%	-3,37%	-1,90%	-5,82%	-6,35%	-4,17%	-0,95%	-3,48%

Source: Bloomberg 30/04/21.

After announcing historic spending projections to help American families most affected by the pandemic and to renovate America's infrastructure, Mr. Biden revealed how these would be financed. After announcing plans to raise taxes on companies in March, this time, the capital gains tax will be increased. The Democratic president intends to raise it from 20% to 39.6% for americans earning more than $1 million a year. If the Obamacare tax on investment income is added, the tax rate would rise to 43.4%. This increase would affect a limited number of American taxpayers. But its psychological impact is likely to be even stronger than the financial one, because if this plan is validated in Congress (which is still far from being achieved), capital gains would be taxed at a higher level than salaries (currently at 37%). A paradigm shift in sight? Only time will tell… and it may give some countries ideas.
That said, it is historically difficult to find any negative correlation between the stock market and tax increases. Even on the contrary… if we have seen in the past that markets have fallen slightly before tax hike announcements, they have tended to rise in the months following the confirmation of higher taxes.

Weisshorn Asset Management SA – 7, rue des Alpes, Case Postale 1800. CH – 1211 Genève 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

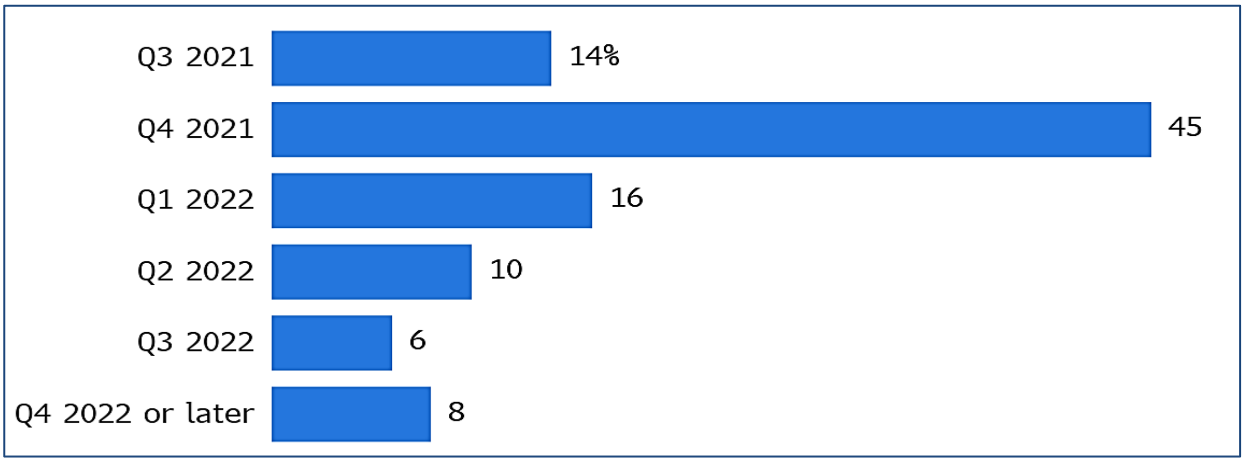


Source: GS Investment research

As we have repeated for several months, "central banks are our friends", and we therefore do not see major reasons (except for an exogenous event) for equity markets to correct sharply as long as they provide the liquidity needed. Even though the top central bankers (namely Mr. Powell for the FED and Mrs. Largarde for the ECB) repeated again at their April meeting that the economic recovery is not yet strong enough to consider a reduction of the bond purchase programs, most investors are wondering when they will reduce their support to markets. And the question is legitimate. Commodity prices are surging, inflation indicators (especially in the US, but also in Europe to a lesser degree) are showing signs of recovery, with the "PCE Deflator" (the Federal Reserve's preferred inflation indicator) reaching 2.3% for the month of March, up from 1.6% in February. While the Fed had said a few months ago that it would temporarily tolerate an inflation rate above its 2% target, this figure may worry the most skepticals of the debate that inflation is not a short-term problem. This is not necessarily a view we share, but we are still paying attention to this statistic, because as we have said before, a mistake in monetary policy could have a very negative impact on risky assets and particularly on equities.

Weisshorn Asset Management SA – 7, rue des Alpes, Case Postale 1800. CH – 1211 Genève 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

Plurality of economists expects the Fed to slow purchases in the fourth quarter

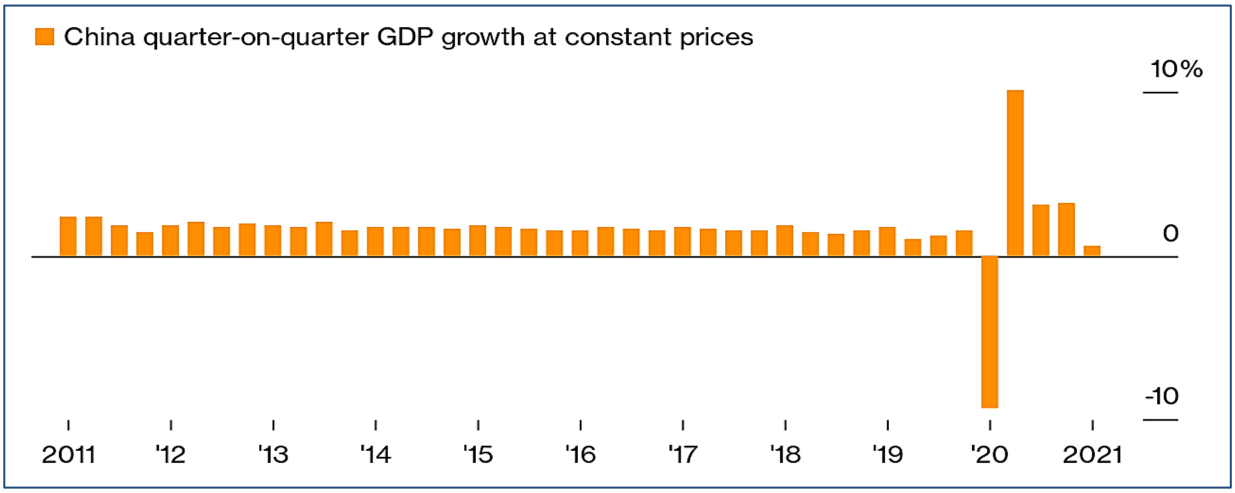


Source: Bloomberg News Survey, April 21

Some central banks (mainly central banks of commodity-exporting countries), like the Norwegian central bank, are already sending the message that they will intervene either on their key interest rates or on their bond repurchase programs by the end of the year. The Bank of Canada also announced the beginning of a reduction in monthly purchases. The consensus expectation is that the FED will start tapering in the fourth quarter of 2021 and rate increases could be possible in 2022. For now, the message is clear and firm: the valves remain wide open!

China published a misleading growth rate for the first quarter. The very favorable base effect compared to the first quarter of 2020 allowed to publish a GDP growth of 18.3% year-on-year. However, the quarter-on-quarter rate is 0.6% (vs. 4Q2020), the lowest rate in over 10 years (except of course 1Q2020).

The PBOC has been adopting a less accommodating approach for several months now in order to curb the strong post-Covid recovery. We remain optimistic for the markets in this area in the long term, even if the pressure could last a little longer.

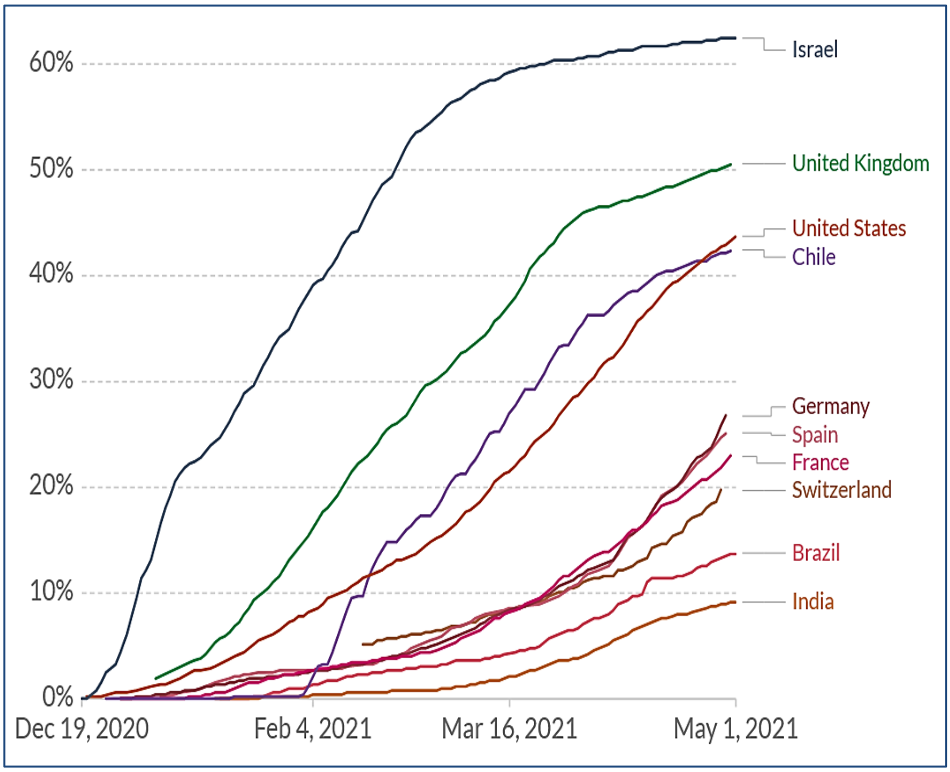


Source: Bloomberg

Weisshorn Asset Management SA – 7, rue des Alpes, Case Postale 1800. CH – 1211 Genève 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

As vaccinations and reopenings occur, Covid is becoming less and less omnipresent in the mouths of investors (or in financial media). We can see that although some regions experienced more inertia in the launch of the vaccination campaign, it is now in full swing and the outlook is improving.
On the other hand, the situation is still worrying in some places, such as India, which broke sad records for new contaminations during the month of April. The authorities of most countries have repeated it several times, vaccination will help us to find a "normal life" but the virus is far from being eradicated and the barriers gestures remain in place. Looking at the graph below, one would be tempted to say that Great Britain is holding its first post-Brexit victory over the Eurozone... This confirms all the good things we think of this country which should see its economy recover faster than the average.

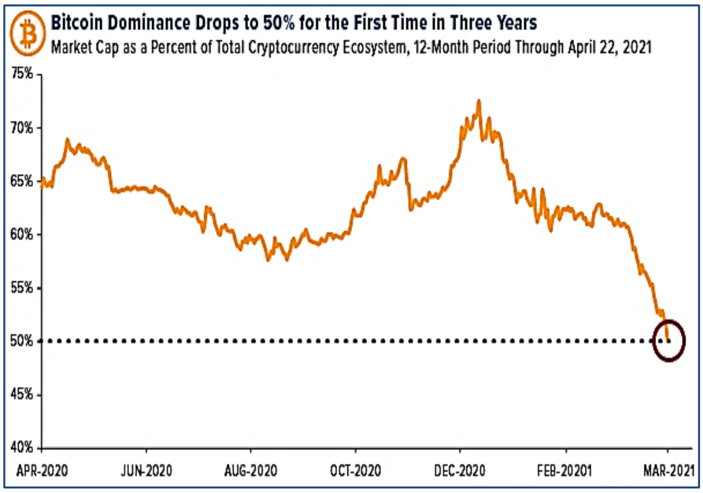
Share of the total population that received at least one vaccine dose

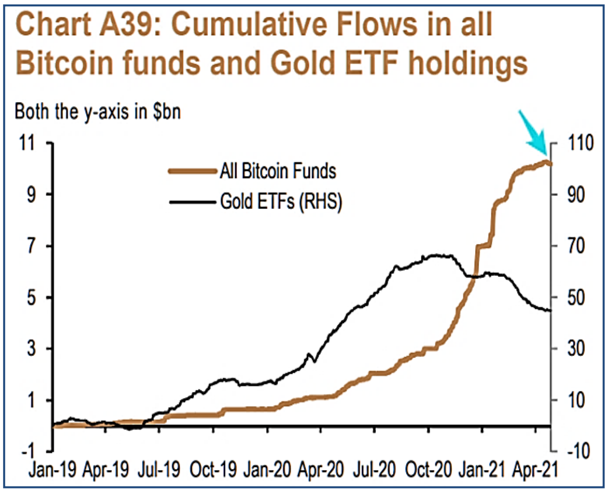


Source: BBC, WHO, our World in data

Weisshorn Asset Management SA – 7, rue des Alpes, Case Postale 1800. CH – 1211 Genève 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com

A few more words about digital assets. Despite the constant pressure from some authorities (Turkey has officially banned cryptocurrency payments on its territory), they are still attracting more and more interest, both from speculators and investors. The IPO of Coinbase during April (a cryptocurrency trading platform), which is currently valued at $58 billion, has brought further enthusiasm to this asset class. It is intersting to note that since April, Bitcoin reprensents less than 50% of the total cryptocurrency capitalization for the first time. It is certainly by far the most important, but its dominance is fading. The relay has, for example, been taken by Ethereum (+42% in April and +273% year-to-date) or else Ripple (+179% in April, +597% year-to-date). We have read several times during the first quarter that Bitcoin could eventually become a hedge against inflation and thus step on the toes of gold. We will not comment on this, but we can see from the below chart on the right that investors seems to have acted in this direction since the first month of the year…





Source: TradingViews, US Global Investors. Bloomberg, JP Morgan

The cryptocurrency universe will continue to be very volatile and under pressure from some authorities, but it has become too important to disappear only by pulling the plug (i.e. a simple regulatory ban). We will therefore have to deal with this new asset class where, behind the crypto-currencies, lies the technological revolution that is the blockchain.

Wishing you a great month of May.

Weisshorn Asset Management SA – 7, rue des Alpes, Case Postale 1800. CH – 1211 Genève 1
+41 22 316 03 30 + 41 22 310 31 18 info@weisshorn-am.com www.weisshorn-am.com