J. SAFRA SARASIN
ASSET MANAGEMENT

Cross-Asset Weekly

13 November 2020

Preparing for a healthier 2021

The news of the week was without any doubt the announcement that an effective vaccine against COVID-19 may have been found. This materially reduces the downside risks around our constructive macro and market forecasts for 2021. As a result, bond markets are likely to price a faster normalisation of economic activity. The trajectory for rates and curve steepness in 2021 therefore could be more pronounced than what we previously anticipated. Additionally, stronger cyclical forces should benefit the euro next year.

In equity markets, this week's rise in bond yields has already led to a reversal of the growth vs. value trade. Beyond the immediate market reaction, we believe that the early discovery of a vaccine has significant medium-term implications for equity sectors and regions. For example, the outlook for the UK and the energy sector looks more promising, while we are now less optimistic for the tech sector where valuations seem stretched.

At this week's Annual ECB Forum, heads of central banks noted the good news on the COVID-vaccine. Still, they stressed that the pandemic will continue to weigh on the near-term economic outlook. They were unanimous in their view that fiscal policy should be the main tool in such a situation, as it can respond in a more targeted way to help affected sectors and households. President Lagarde, however, indicated that the ECB could provide further stimuli by extending its asset purchases and lowering its refinancing conditions for banks at its December meeting. Looking even further into the future, she confirmed that the ECB is seriously examining the issuance of a digital euro.

This week's highlights

The Annual ECB-Forum 2
President Lagarde indicates further stimuli in December

European Macro 3
A digital euro is on its way

Global Fixed Income 5
The 90% solution to the COVID-19 problem

FX markets 6
Biden victory and nearing vaccine to strengthen euro

Equities 8
Vaccine implications: raise UK & energy, cautious on tech

Economic Calendar 10
Week of 16/11 – 20/11/2020

Market Performance 11
Global Markets in Local Currencies

Contacts

Dr. Karsten Junius, CFA
Chief Economist
karsten.junius@jsafrasarasin.com
+41 58 317 32 79

Raphael Olszyna-Marzys
International Economist
raphael.olszyna-marzys@jsafrasarasin.com
+41 58 317 32 69

Wolf von Rotberg
Equity Strategist
wolf.vonrotberg@jsafrasarasin.com
+41 58 317 30 20

Alex Rohner
Fixed Income Strategist
alex.rohner@jsafrasarasin.com
+41 58 317 32 24

Dr. Claudio Wewel
FX Strategist
claudio.wewel@jsafrasarasin.com
+41 58 317 32 26

The Annual ECB-Forum

President Lagarde indicates further stimuli in December

Dr. Karsten Junius, CFA
Chief Economist
karsten.junius@jsafrasarasin.com
+41 58 317 32 79

Central bankers clearly stressed that fiscal policy can provide a better response to the current pandemic as it can better target heavily affected sectors and households. Yet President Lagarde also indicated that the ECB is likely to use the Pandemic Economic Purchase Programme (PEPP) and Targeted Long Term Refinance Tenders (TLTRO) to ease policy when it meets next month. Notably, she did not mention negative deposit rates, which confirms our view that they are unlikely to be lowered in December.

Central bankers met virtually this year of the annual ECB Forum

At this year's ECB-Forum that took place in digital form instead of on-site in Sintra, the influence of President Lagarde was more than visible: climate change was already the second topic on the agenda and it was also a welcome surprise that many female speakers were on the panels in an otherwise gender-wise often unbalanced environment.

President Lagarde stressed how sectors have been hit differently during this recession

On the economic development, Lagarde stressed how special the COVID-recession is. Usually, the manufacturing and construction sectors show the strongest cyclical variations. This time it is the services sector that is hit hardest. This might have the consequence that the recovery will slower than it would have been after a manufacturing recession, pent-up demand will probably be weaker. For example, households would not book twice as many foreign holidays once they can travel freely again. She also noted that a recession in the services sector hits mainly low income households, as well as minorities and women who more than others work in the heavily impacted sectors.

Deposit rates are unlikely to be cut again – as a further cut may only trigger another round of competitive currency devaluations

Ms. Lagarde reiterated that the main tools the ECB has to provide stimuli in the current environment are the TLTROs and the PEPP. The asset purchases have two functions: (1) to stabilise financial markets and counter fragmentation risks in the euro area through the flexibility of its purchases – i.e. the ability to influence sovereign bond spreads with purchases that deviate from the capital key. (2) To ease monetary policy in general and provide stimuli to the broader economy with a view to increase future inflation. Notably, Ms. Lagarde did not elaborate on the advantages of negative deposit rates. This confirms our view that the deposit rate will not be lowered again in December. We would welcome such a decision as the effect of a further deposit rate cut would mainly target the exchange rate of the euro and could trigger a similar response by the euro area trading partners – effectively equalising its impact on the exchange rate.

Central bankers believe that fiscal policy can provide more targeted help in this crisis

It was clear that all speakers at the ECB Forum could agree on one point: fiscal policy should be the main lever to support to the economy in the current crisis. First, because fiscal multipliers should be especially high in the current uncertain environment. Second, because it is more granular than monetary policy and can target specific sectors, especially vulnerable households, and provide the appropriate incentives for private sector activities. Monetary policy, however, can only support aggregate demand.

Central Bank Digital Currencies in preparation

Finally, Lagarde confirmed that the ECB is seriously considering to issue a digital euro in the future. Fed Chair Powell and Bank of England Governor Bailey were more hesitant on the topic – the former as the US is already providing the reserve currency of the world and is dominating the current payment system, the latter as the UK is probably preoccupied with other things right now. We expect the ECB to take a lead in this area in the future.

European Macro

A digital euro is on its way

Dr. Karsten Junius, CFA
Chief Economist
karsten.junius@jsafrasarasin.com
+41 58 317 32 79

The ECB is intensively exploring whether and how to issue a digital euro – hence, a Central Bank Digital Currency (CBDC) that can be used by the public similar to cash. Currently, the ECB is in the preparation phase and a decision should be made mid-2021. The large number of studies and communication that have been published lately makes it very likely that the decision will be affirmative. This would make the euro area less dependent on non-European payments providers and offer a secure digital currency in times of crisis. We highlight the most important questions around this project.

CBDC – a new hot topic

In the past two months, the ECB has provided several studies and speeches on Central Bank Digital Currencies (CBDC) and the advantages a digital euro might have. A decision whether to issue a digital euro has not been made yet, and is expected for next summer, but the arguments presented so far strongly hint that the ECB is seriously considering to do so. It would not be first central bank that is exploring the topic. Apparently, the Central Bank of China has studied the topic for several years already. And Facebook too has ventured into this area with its Libra project. But even if the ECB decides to issue a digital euro, it will take probably a few more years until it is ready do so.

A digital euro would serve the same function as banknotes do

What is a digital euro? It is a central bank digital currency (CBDC), hence, a currency that is issued and backed by a central bank. Its properties would be similar to banknotes – just in digital form.

A digital euro would not abolish cash

Would a digital euro abolish banknotes? No. A digital euro is a complement but not a substitute to banknotes and coins. The ECB has confirmed repeatedly that it does not intend to abolish regular cash.

CBDC are a liability of a central bank

What is the difference of CBDC to credit card payments and crypto assets? CBDC are a liability of a central bank and therefore state-backed and extremely safe or even risk-free. Credit card payments as well as commercial bank money are a liability of private sector entities and therefore less safe even if they are regulated, supervised and partly backed by deposit insurance guarantees. Crypto-assets are not a liability of anyone and are completely unregulated. Compared to CBDC or credit card payments, they have no central entity that backs them. Instead, they are backed in a decentralised way in the form of distributed ledger technology, from which they derive their safety properties. As crypto assets have no central backing, there is also no one accountable for the stability of their value. CBDC, in contrast, have a central bank that would guarantee the purchasing power of its currency and would not fluctuate beyond their definition of price stability.

A digital currency for a digital world

Why do we need a digital currency? Currently, we can observe two major trends that are being strengthened by the pandemic: (1) The digitalisation of large parts of the economy and (2) a declining importance of the use of cash as a means of payment. A digital currency might complement these trends and meet changing consumer demand and preferences. Thereby, it might also help to counter the currently very fragmented European payment system, whereby the dominant means of digital payment in one country cannot always be used in all others.

Advantages of a digital currency

There are three main advantages that might come with a CBDC: (1) one is the ownership of critical and private data that will not fall into the hands of private companies. The strong

network effects of payment systems and means implies that oligopolistic or monopolistic currencies are likely in this area, such that the abuse of market power by private (tech-) companies would become an increasingly important topic. (ii) A second advantage is that a CBDC could make it easier to combat illicit activities. (iii) The third advantage is that a digital euro could secure independence of non-European payment systems. As a result, European payments could be made in a globally digital economy independently on the unilateral actions of others – preserving the autonomy of European payments. This basically means that Europe would become more independent from the US, its sanctions on other countries and its possible future weaponisation of the US dollar. Hence, a digital euro would help to preserve European sovereignty.

The new feature of a digital euro is that it could be used for digital retail and not only for wholesale payments

Digital central bank money is actually not a new idea. Indeed, banks have been using for a long time digital central bank money for wholesale transaction. The new feature of a digital euro would be to give households access to central bank money, which they then could use for their payment needs or as a store of value.

A two-tiered system of remuneration of a digital euro has been proposed

How to remunerate a digital euro? It is a tricky question what interest rate a digital euro should earn. If that is too attractive compared to bank deposits, the commercial banking sector would be crowded out. If it is zero like for bank notes, this would be the new effective lower interest bound under which policy rates could not fall further, even if negative rates would be appropriate for monetary policy reasons. Furthermore, a zero interest rate could destabilise the financial system as investors might all shift their funds into a digital euro in times of crisis when a safe heaven is in high demand. It is the cost and risk of holding banknotes that is preventing these kinds of bank runs in the current system. In order to meet these concerns, Bindseil and Panetta have proposed a two-tiered system of remuneration for CBDC. Funds that households hold for regular payment needs – for example EUR 3000 per household – would be exempted from negative rates and earn an interest rate that is no lower than that of banknotes, so at least 0%. Funds that are needed for wholesale payments or as a store of value could be subject to a lower interest rate. In any case, the ECB has confirmed that the intention of a digital euro would not be to abolish banknotes or to be able to implement negative rates on an even larger scale than today.

Global Fixed Income

The 90% solution to the COVID-19 pandemic

Alex Rohner
Fixed Income Strategist
alex.rohner@jsafrasarasin.com
+41 58 317 32 24

The announcement of a potentially faster and more effective vaccine will likely lead markets to price for a faster normalisation of economic activity. While our forecast profile for yields is fully supported by the latest piece of information, the trajectory for rates and curve steepness in 2021 will likely be higher than expected.

Pfizer news adds a boost to the growth story

The news from Pfizer/BioNTech that its vaccine could provide 90% effectiveness has brushed strongly rising COVID-19 infection numbers and the US election outcome (as well as potential transition uncertainties) to the side lines. Developed markets government bond yields have risen and credit spreads have tightened sharply as the news has given a boost to the global growth narrative for 2021.

A potential 90% effectiveness of the new vaccine is very significant additional information

The Pfizer/BioNTech news implies that a vaccine could come faster and be more effective than anticipated. A 90% rate of effectiveness would be much higher than anyone could have hoped for, and it could significantly shorten the timeline towards potential herd immunity. Furthermore, several other companies are working on a very similar approach to vaccine development, i.e. AstraZeneca/Moderna, hence, more positive news is likely.

Higher yields and steeper curves are the most likely outcome

Many questions still remain, such as the drug's effectiveness for different age groups, duration of immunity, logistical problems etc. that can only be clarified over the next weeks. However, markets will likely start to price for a somewhat faster normalisation of economic activity along with higher inflation expectations and steeper curves. The rates trajectory will likely be somewhat more pronounced. We expect the Fed and other central banks to err on the side of caution, even if there is an increased likelihood of a timely vaccine. They will accept a rise in yields along with higher inflation expectations. However, a premature rise in *real yields* would lead to unwanted tightening of financial conditions and would provoke a swift reaction. The Fed will continue to use forward guidance and could shift asset purchases to longer maturities with a particular focus on purchasing TIPS in December.

A mixed message for credit

The impact on credit is set to be more mixed. A faster recovery of the services sector would lower default rates, in particular for the most affected companies in the High Yield sector. However, the perception that less monetary stimulus might be forthcoming could start to create headwinds. Credit tends to do well under a moderate-growth/low-inflation scenario with substantial monetary accommodation. On balance, the introduction of a successful vaccine is probably neutral for credit.

Short-term risks remain

Near-term risks to the outlook remain. The COVID-19 infection curve in the US continues to accelerate and if the recent European profile is any indication, the next few weeks and months could prove to be difficult. The post-election transition of power is unlikely to be smooth and there is always the potential for set-backs on the vaccine front.

There are upside risks to our current yield forecast for 2021

Nevertheless, over the next 6- to 12 months, the improved prospects for a faster and more effective COVID-19 vaccine should clear the way to higher yields and steeper curves as global growth and inflation expectations pick up. While our forecast profile for yields is fully supported by the latest piece of information, the expected trajectory for rates and curve steepness in 2021 will likely be higher than expected.

FX markets

Biden victory and nearing vaccine to strengthen euro

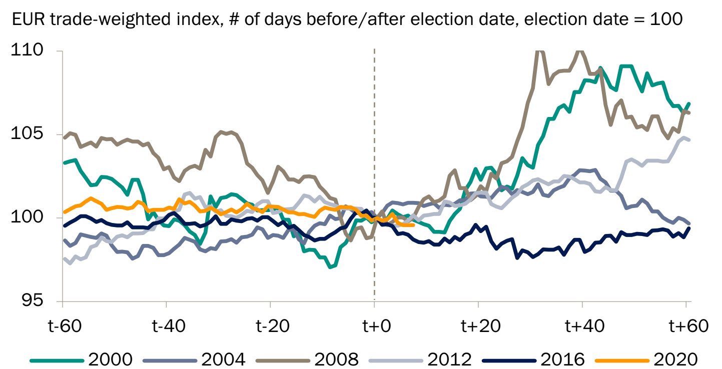
Dr. Claudio Wewel
FX Strategist
claudio.wewel@jsafrasarasin.com
+41 58 317 32 26

We maintain our positive view on the European common currency. The increased likelihood of a vaccine available in the near term should accelerate the global recovery and strengthen the cyclical euro on the back of reversing portfolio flows. Furthermore, the euro should benefit from a widening US twin deficit under a Biden presidency. However, some factors could slow the pace at which the currency appreciates.

EUR-USD rose by 2% since the election date

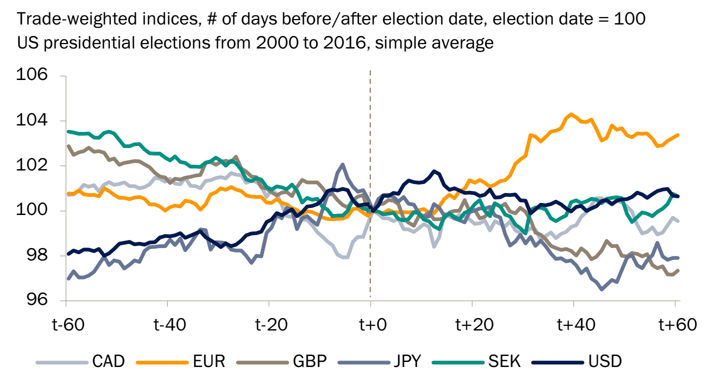
In the days following the US election, the euro (EUR) strengthened by around 2% against the US dollar (USD). The move was broadly in line with the pattern observed in the previous five post-election episodes, during which the trade-weighted euro predominantly strengthened (Exhibit 1), while the election of President Trump in 2016 represented an exception. What's more, the euro's post-election performance has been historically superior to other developed market (DM) currencies (Exhibit 2).

Exhibit 1: The euro usual rises after US elections…



Source: Bloomberg, J. Safra Sarasin, 12.11.2020

Exhibit 2: …which is contrary to other G10 currencies



Source: Bloomberg, J. Safra Sarasin, 12.11.2020

Higher probability of a vaccine in the near-term should accelerate the global recovery and reverse portfolio flows, pushing the European currency higher

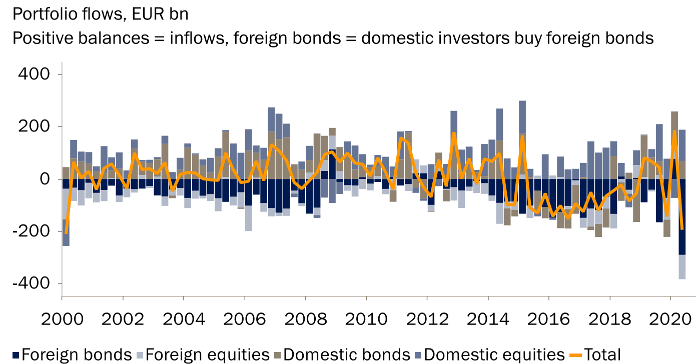
The euro also looks well-supported in the medium term. In particular, the direction of portfolio flows should play a role for the currency's outlook. With outflows from the euro area at record levels in 2Q20 and inflows remaining rather muted in 3Q20, the joint Pfizer-BioNTech announcement of a vaccine with an efficacy of 90% represents a game changer (Exhibit 3). The official vaccine approval should accelerate the global recovery and reduce uncertainties in financial markets. As a result, «the light at the end of the tunnel» should also lead to a reversal of portfolio flows. Given that the US dollar's yield advantage has virtually vanished, some of the outflows accumulated over past years should reverse back into the euro area, which should push the euro higher (Exhibit 4).

Rising US twin deficits during Biden's presidency to give euro a relative edge

In the longer term, our conviction remains that a Biden presidency should be euro-positive – see «Biden victory should strengthen cyclical currencies». The ongoing surge in infection numbers in the US and a troubled labour market will require more fiscal stimulus. And even in the rather unlikely case of a marked tax rise, the massive scale of government spending should continue to produce high budget deficits, which have historically given the euro a relative edge. In addition, we expect the US trade deficit to widen again. Owing to an export-oriented economy, the euro area's currency should clearly benefit from this trend.

Exhibit 3: Euro area recorded massive portfolio outflows in 2Q20

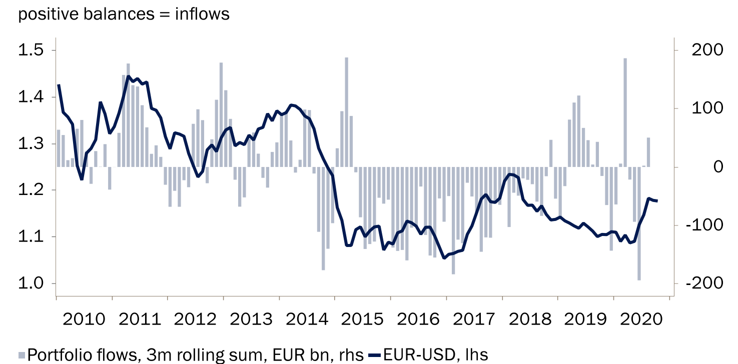
Portfolio flows, EUR bn
Positive balances = inflows, foreign bonds = domestic investors buy foreign bonds



Source: Macrobond, J. Safra Sarasin, 12.11.2020

Exhibit 4: Reversing flows should push the euro higher

positive balances = inflows



Source: Macrobond, J. Safra Sarasin, 12.11.2020

Second wave and contested US election outcome should limit the euro's near-term appreciation potential

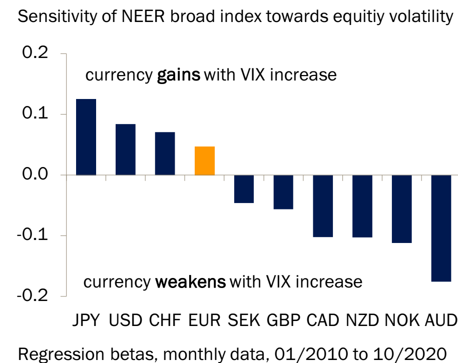
Yet, we think that some factors could slow down the pace at which the euro strengthens. First, the second European COVID wave and a mounting number of virus cases in the US have necessitated the re-imposition of lockdown measures, in several countries even at the national level. This means that we should expect the near-term news flow to deteriorate and survey data to weaken in the weeks ahead. Second, President Trump continues to deny his defeat after the presidential elections. In spite of the potential to obstruct the transfer of power, we perceive the risk of a delay to Joe Biden's presidential inauguration to be rather low. The US constitution and legal system feature provisions for this case. While both risks – the virus and a contested US electoral outcome – possibly lead to temporary elevations of volatility, the euro tends to be more resilient than the remainder of cyclical DM currencies (Exhibit 5).

ECB likely to counter quick and excessive currency appreciation

Lastly, the ECB's concerns over the magnitude of their currency's recent appreciation (Exhibit 6) constitute another factor that could dampen the euro's rise. In her opening speech to this year's annual ECB Forum, president Lagarde mentioned that the «development in the exchange rate may have a negative impact on the path of inflation» and hence on the achievability of the ECB's inflation target. Indeed, euro area inflation is far from having recovered to pre-crisis levels, while US inflation rates have seen a steady rise over recent months (Exhibit 7). While a rapid strengthening of the euro would probably force the ECB to intervene more aggressively in order to prevent deflationary forces from setting in, a gradual appreciation of the currency should not concern the central bank too much.

Exhibit 5: Euro tends to be rather resilient

Sensitivity of NEER broad index towards equitiy volatility

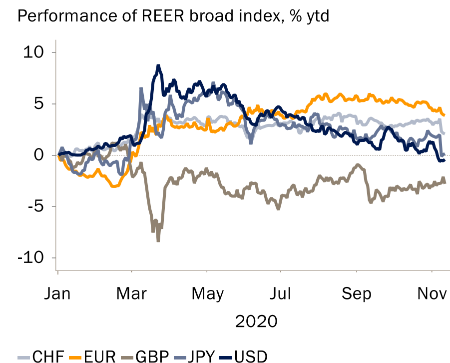


Regression betas, monthly data, 01/2010 to 10/2020

Source: Macrobond, J. Safra Sarasin, 12.11.2020

Exhibit 6: In real terms, euro rose by 4% ytd

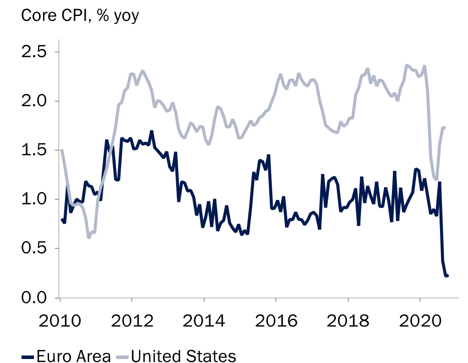
Performance of REER broad index, % ytd



Source: Macrobond, J. Safra Sarasin, 12.11.2020

Exhibit 7: Euro area and US inflation diverge

Core CPI, % yoy



Source: Macrobond, J. Safra Sarasin, 12.11.2020

Equities

Vaccine implications: raise UK & energy, cautious on tech

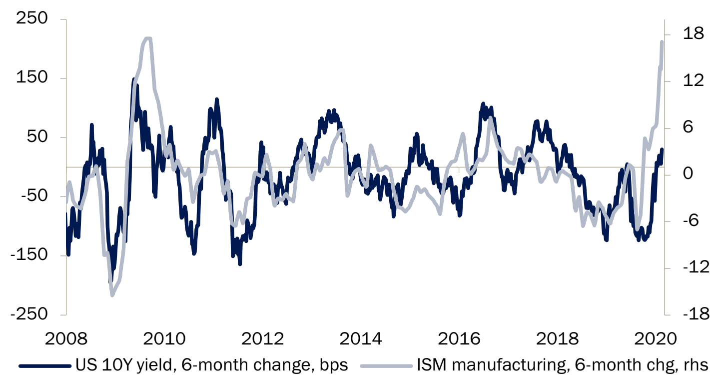
Wolf von Rotberg
Equity Strategist
wolf.vonrotberg@jsafrasarasin.com
+41 58 317 30 20

This week has brought a sharp rise in bond yields and a reversal of the growth vs. value trade. Hopes for a return to a pre-COVID normality have been amplified by news that the Pfizer/BioNTech vaccine candidate has shown highly effective phase 3 results. Beyond the knee-jerk reaction in the market, we believe that structural implications for certain sectors and regions are significant. As a result, we upgrade both the UK and energy from neutral to overweight. Furthermore, we reduce our tech overweight. Valuations seem stretched as earnings growth may slow on fading COVID support.

News about a highly effective vaccine triggered a sharp rotation into value and cyclicals

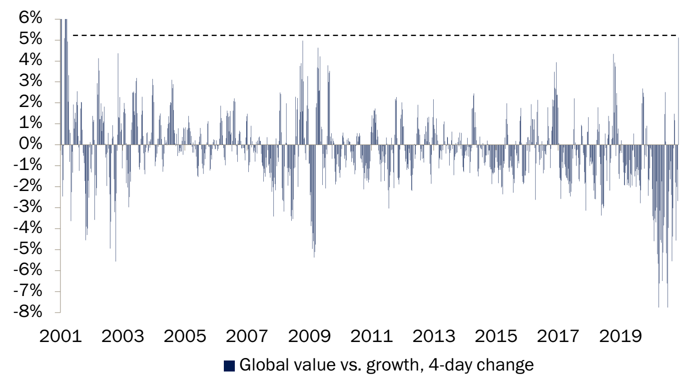
The news about a highly effective vaccine on Monday delivered the trigger to unlock some of the upside rates have had relative to the economic data (Exhibit 1) and led to a sharp rotation into value stocks and cyclicals (Exhibit 2). We expected the US election to be such an event, but the result has been less risk-friendly than polls had suggested (no "blue-sweep"). The Pfizer/BioNTech vaccine (with others expected to follow) is set to remove the main medium-term risk to the global economy, namely an endless cycle of rising infection rates and corresponding containment measures. While a vaccine may not be able to end the current wave, it will likely help to prevent future outbreaks.

Exhibit 1: US yields have partly caught up with US macro momentum as the vaccine news hit



Source: Refinitiv, J. Safra Sarasin, 12.11.2020

Exhibit 2: In line with the rise in US yields, value has seen the sharpest 4-day outperformance vs. growth since 2001



Source: Refinitiv, J. Safra Sarasin, 12.11.2020

A vaccine should reverse some of the relative trades which worked in 2020

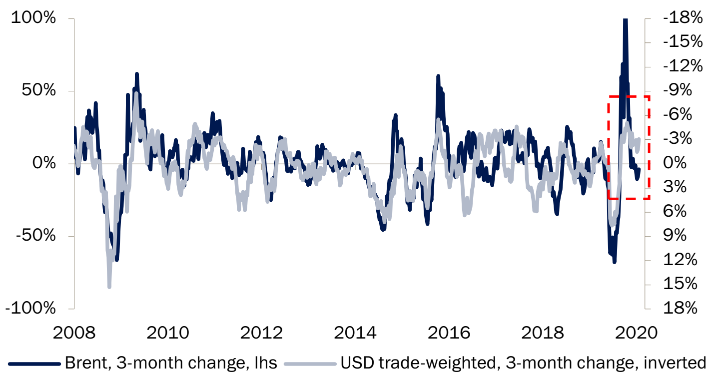
What does that mean for equities? The short term implications could be observed this week, with financials and energy showing the strongest performance, rising by 11% and 13%, respectively, as rates and oil prices moved higher. Other cyclical sectors also gained while defensive sectors and tech underperformed. Structurally, a return to pre-COVID may only come gradually and often be incomplete, but a vaccine should definitely reverse many developments we have experienced in 2020.

A gradual return to a pre-COVID world should support UK equities over the coming months

Firstly, the 2021 outlook for certain sectors has significantly improved. Airlines, travel & leisure and aerospace companies stand to benefit substantially. We also think that the outlook for the energy sector is materially brighter, given that a combination of (a) a resurgence in global mobility and (b) a lower US dollar against the backdrop of (c) a continued global recovery in 2021, should help the oil price to move higher (Exhibit 3). The improved tactical outlook for oil, which should help energy earnings to be upgraded (Exhibit 4), as well as the sector's depressed valuations, lead us to raise energy to overweight, from neutral. In addition, we raise the UK to overweight, from neutral. We highlighted in September

that the UK equity market has been one of the key victims of COVID, due to its remarkably unfavourable sector structure (exposure to energy, travel, aerospace, and consumer & business services). This upgrade comes after we had lifted the UK to neutral earlier this month, partly based on depressed valuations. Yet, this does not change our long-term outlook for UK equities, which are set to struggle over the coming years in light of structural challenges.

Exhibit 3: A weaker US dollar should support oil prices



Source: Refinitiv, J. Safra Sarasin, 12.11.2020

Exhibit 4: Energy earnings have upside to current oil price levels and should benefit from a recovery in oil prices as the economy normalises

Source: Refinitiv, J. Safra Sarasin, 12.11.2020

Tactically, tech will be under pressure if rates continue to move higher

Secondly, while we think that tech should provide the highest long-term returns, the tactical overweight is coming under increasing pressure from two sides, both driven by the prospect for a vaccine: (a) high valuations (Exhibit 5) are weighed down by higher rates and (b) a reversal of COVID-led consumption behaviour is set to hamper the earnings outlook. We reduce our overweight position, which still leaves us with a small overweight in tech and US equities but makes the case less compelling, in particular once the current COVID-infection wave abates.

Exhibit 5: The relative tech price-to-earnings ratio is at a 10-year high

Source: Refinitiv, J. Safra Sarasin, 12.11.2020

Exhibit 6: We are upgrading the UK and energy to overweight, from neutral, and move tech down by one notch, reducing the overweight

Regional allocation	–				+
USA				Current	
Euro area			Current		
UK			Previous		Current
Switzerland		Current			
Japan			Current		
Emerging Markets					Current
China					Current

Sector allocation	–				+
Energy			Previous		Current
Materials			Current		
Industrials				Current	
Consumer Discretionary			Current		
Technology				Current	Previous
Consumer Staples		Current			
Healthcare		Current			
Banks			Current		
Insurance			Current		
Real Estate			Current		
Communication Services			Current		
Utilities		Current			

Current weighting (dark)
Previous weighting (light)

Source: J. Safra Sarasin, 12.11.2020

Economic Calendar

Week of 16/11 – 20/11/2020

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 16.11.2020						
US	14:30	Empire Manufacturing	Nov	Index	13.80	10.50
Tuesday, 17.11.2020						
US	14:30	Retail Sales Ex Auto, Gas MoM	Oct	mom	0.60%	1.50%
	14:30	Retail Sales Control Group MoM	Oct	mom	0.50%	1.40%
	15:15	Industrial Production MoM	Oct	mom	1.00%	-0.60%
	15:15	Capacity Utilisation	Oct	%	72.30%	71.50%
	16:00	NAHB Housing Market Index	Sep	Index	85.00	85.00
Wednesday, 18.11.2020						
UK	08:00	CPI Core YoY	Oct	yoy	--	1.30%
	08:00	RPI Ex Mort. Int. Payments YoY	Oct	yoy	--	1.40%
EU	11:00	CPI YoY	Oct	yoy	-0.30%	-0.30%
	11:00	CPI Core YoY	Oct	yoy	0.20%	0.20%
US	14:30	Housing Starts	Oct	1'000	1570k	1553k
Thursday, 19.11.2020						
UK	12:00	CBI Trends Total Orders	Nov	Index	--	-34.0
US	14:30	Philadelphia Fed Business Outl.	Nov	Index	22.0	32.3
US	14:30	Initial Jobless Claims	Nov14	1'000	--	709k
	16:00	Leading Index	Oct	%	0.70%	0.70%
	16:00	Existing Home Sales	Oct	mn	6.44m	6.54m
	17:00	Kansas City Fed	Nov	Index	--	13.0
Friday, 20.11.2020						
JN	00:30	Natl. CPI YoY	Oct	yoy	-0.70%	-0.30%
	00:30	Natl. CPI Ex Food and Energy YoY	Oct	yoy	-0.30%	0.00%
UK	09:00	Retail Sales Ex Auto Fuel YoY	Oct	yoy	--	6.40%
EU	16:00	Consumer Confidence	Nov A	Index	-17.70	-15.00

Source: Bloomberg, J. Safra Sarasin as of 13.11.2020

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W	Δ YTD	TR YTD in %
Swiss Eidgenosse 10 year (%)	-0.48	4	-1	0.0
German Bund 10 year (%)	-0.55	7	-37	2.5
UK Gilt 10 year (%)	0.35	7	-52	4.1
US Treasury 10 year (%)	0.87	5	-101	9.9
French OAT - Bund, spread (bp)	25	-2	-6	
Italian BTP - Bund, spread (bp)	123	-4	-37	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	10'496	20.1	1.8	2.1
DAX - Germany	13'053	19.3	3.9	-1.5
MSCI Italy	668	22.0	6.0	-14.1
IBEX - Spain	7'726	33.0	11.6	-16.9
DJ Euro Stoxx 50 - Eurozone	3'428	22.2	6.6	-6.1
MSCI UK	1'782	14.4	8.1	-14.7
S&P 500 - USA	3'537	25.5	0.8	11.2
Nasdaq 100 - USA	11'827	30.9	-2.0	36.5
MSCI Emerging Markets	1'182	18.5	1.4	8.4

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.91	6.2	1.7	-5.7
EUR-CHF	1.08	4.4	1.1	-0.5
GBP-CHF	1.20	8.8	1.6	-5.4
EUR-USD	1.18	6.4	-0.5	5.5
GBP-USD	1.31	9.4	-0.1	0.2
USD-JPY	105.0	6.5	1.6	-3.6
EUR-GBP	0.90	8.3	-0.4	5.2
EUR-SEK	10.22	5.8	-0.4	-2.4
EUR-NOK	10.84	9.8	-0.3	9.8

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	74	11.3	0.5	-9.6
Brent crude oil - USD / barrel	42	41.2	9.1	-36.9
Gold bullion - USD / Troy ounce	1'879	20.8	-3.7	24.0

Source: J. Safra Sarasin, Bloomberg as of 13.11.2020

Disclaimer/Important Information

This document has been prepared by Bank J. Safra Sarasin Ltd ("Bank") for information purposes only. It is not the result of financial research conducted. Therefore, the "Directives on the Independence of Financial Research" of the Swiss Bankers Association do not apply to this document.

This document is based on publicly available information and data ("the Information") believed to be correct, accurate and complete. The Bank has not verified and is unable to guarantee the accuracy and completeness of the Information contained herein. Possible errors or incompleteness of the Information do not constitute legal grounds (contractual or tacit) for liability, either with regard to direct, indirect or consequential damages. In particular, neither the Bank nor its shareholders and employees shall be liable for the views contained in this document. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data provided and shall have no liability for any damages of any kind relating to such data.

This document does not constitute a request or offer, solicitation or recommendation to buy or sell investment instruments or services. It should not be considered as a substitute for individual advice and risk disclosure by a qualified financial, legal or tax advisor. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Past performance is no indication of current or future performance. Investments in foreign currencies are subject to exchange rate fluctuations. Exchange rate risk will apply if the investor's reference currency is not the same as the investment currency. Information containing forecasts are intended for information purpose only and are neither projections nor guarantees for future results and could differ significantly for various reasons from actual performance. The views and opinions contained in this document, along with the quoted figures, data and forecasts, may be subject to change without notice. There is no obligation on the part of Bank or any other person to update the content of this document. The Bank does not accept any liability whatsoever for losses arising from the use of the Information (or parts thereof) contained in this document.

Neither this document nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. This information is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such distribution is prohibited and may only be distributed in countries where its distribution is legally permitted.

Source MSCI

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

FTSE Russell: Fixed Income Indices

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2020. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE Russell®", is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication."

FTSE Russell: FTSE UK/FTSE Italia

Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2020. FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" is a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication."

FTSE Russell: EPRA/NAREIT

Source: London Stock Exchange Group plc and its group undertakings, including FTSE International Limited (collectively, the "LSE Group"), European Public Real Estate Association ("EPRA"), and the National Association of Real Estate Investments Trusts ("Nareit") (and together the

“Licensor Parties”). © LSE Group 2020. FTSE Russell is a trading name of certain LSE Group companies. “FTSE®” and “Russell®” are a trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. “Nareit®” is a trade mark of Nareit, "EPRA®" is a trade mark of EPRA and all are used by the LSE Group under license. All rights in the [NAME OF INDEX OF PARENT INDEX, e.g. FTSE EPRA/NAREIT Global] index(es) or data vest in the Licensor Parties. The Licensor Parties do not accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company’s express written consent. The Licensor Parties do not promote, sponsor or endorse the content of this communication.

JPM Indices

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan’s prior written approval. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved.

ICE Data Indices

Source ICE Data Indices, LLC (“ICE DATA”), is used with permission. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. neither ICE Data, its affiliates or their respective third party providers shall not be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and index data and all components thereof are provided on an “as is” basis and your use is at your own risk. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse, or recommend Bank J. Safra Sarasin Ltd, or any of its products or services.

Bloomberg

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, “Barclays”), used under license. Bloomberg or Bloomberg’s licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

SMI

SIX Swiss Exchange AG (“SIX Swiss Exchange”) is the source of SMI Indices® and the data comprised therein. SIX Swiss Exchange has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in the SMI Indices® or its data. Any dissemination or further distribution of any such information pertaining to SIX Swiss Exchange is prohibited.

Distribution Information

Unless stated otherwise this document is distributed by Bank J. Safra Sarasin Ltd (Switzerland).

The Bahamas: This publication is circulated to private clients of Bank J. Safra Sarasin (Bahamas) Ltd, and is not intended for circulation to nationals or citizens of The Bahamas or a person deemed ‘resident’ in The Bahamas for the purposes of exchange control by the Central Bank of The Bahamas.

Dubai International Financial Centre (DIFC): This material is intended to be distributed by Bank J. Safra Sarasin Asset Management (Middle East) Ltd [“BJSSAM”] in DIFC to professional clients as defined by the Dubai Financial Services Authority (DFSA). BJSSAM is duly authorised and regulated by DFSA. If you do not understand the contents of this document, you should consult an authorised financial adviser. This material may also include Funds which are not subject to any form of regulation or approval by the Dubai Financial Services Authority (“DFSA”). The DFSA has no responsibility for reviewing or verifying any Issuing Document or other documents in connection with these Funds. Accordingly, the DFSA has not approved the Issuing Document or any other associated documents nor taken any steps to verify the information set out in the Issuing Document, and has no responsibility for it. The Units to which the Issuing Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units.

Germany: This publication/information is being distributed in Germany by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main, for information purposes only and does not lodge claim to completeness of product characteristics. Insofar as information on investment funds is contained in this publication, any product documents, are available on request free of charge from J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main in English and German language.To the extent that indicative investment options or portfolio structures are included, the following applies: The indicative investment options or portfolio structures presented in these documents and the underlying model calculations are based on the information and data provided to us in the context of the asset advisory discussion, and we have not checked them for accuracy or completeness. The indicative investment option/portfolio structure described here

is thus intended as a guide and does not make any claim to comprehensive suitability but aims to inform you about the general possibilities that an investment entails. In order to provide you with a final investment recommendation that is tailored to your specific situation, we need further information, in particular on your investment goals, risk tolerance, experience and knowledge of financial services and products and your financial situation. This publication is intended to be distributed by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main to clients domiciled or having their registered office in Germany and is directed exclusively at institutional clients who intend to conclude investment business exclusively as entrepreneurs for commercial purposes. This clientele is limited to credit and financial services institutions, capital management companies and insurance companies, provided that they have the necessary permission for the business operation and are subject to supervision, as well as medium and large corporations within the meaning of the German Commercial Code (section 267 (2) and (3) HGB).

Gibraltar: This document is distributed by Bank J. Safra Sarasin (Gibraltar) Ltd whose place of business is First Floor, Neptune House, Marina Bay, PO Box 556, Gibraltar as a marketing communication for the purposes of the Financial Services (Markets in Financial Instruments) Act 2018, to its clients and prospects. Bank J. Safra Sarasin (Gibraltar) Ltd offers wealth and investment management products and services to its clients and prospects. The Bank whose registered office is 57-63 Line Wall Road, Gibraltar is authorised by the Gibraltar Financial Services. Telephone calls may be recorded and your personal data will be handled in accordance with our Privacy Statement a copy of which can be provided upon request. Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden. This material does not constitute a request or offer, solicitation or recommendation to buy or sell investments or other specific financial instruments, products or services nor does it constitute a personal recommendation. It should not be considered as a substitute for individual advice and risk disclosure by a qualified financial, legal or tax advisor. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Hong Kong: This document is disseminated by Bank J. Safra Sarasin Ltd., Hong Kong Branch in Hong Kong. Bank J. Safra Sarasin Ltd, Hong Kong Branch is a licensed bank under the Hong Kong Banking Ordinance (Cap. 155 of the laws of Hong Kong) and a registered institution under the Securities and Futures Ordinance (cap. 571 of the laws of Hong Kong).

Luxemburg: This publication is distributed in Luxembourg by Banque J. Safra Sarasin (Luxembourg) SA (the "Luxembourg Bank"), having its registered office at 17-21, Boulevard Joseph II, L-1840 Luxembourg, and being subject to the supervision of the Commission de Surveillance du Secteur financier – CSSF. The Luxembourg Bank merely agrees to make this document available to its clients in Luxembourg and is not the author of this document. This document shall not be construed as a personal recommendation as regards the financial instruments or products or the investment strategies mentioned therein, nor shall it be construed as and does not constitute an invitation to enter into a portfolio management agreement with the Luxembourg Bank or an offer to subscribe for or purchase any of the products or instruments mentioned therein. The information provided in this document is not intended to provide a basis on which to make an investment decision. Nothing in this document constitutes an investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate for individual circumstances. Each client shall make its own appraisal. The liability of the Luxembourg Bank may not be engaged with regards to any investment, divestment or retention decision taken by the client on the basis of the information contained in the present document. The client shall bear all risks of losses potentially incurred as a result of such decision. In particular, neither the Luxembourg Bank nor their shareholders or employees shall be liable for the opinions, estimations and strategies contained in this document.

Monaco: In Monaco this document is distributed by Banque J.Safra Sarasin (Monaco) SA, a bank registered in "Principauté de Monaco" and regulated by the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) and Monegasque Government and Commission de Contrôle des Activités Financières («CCAF»).

Panama: This publication is distributed, based solely on public information openly available to the general public, by J. Safra Sarasin Asset Management S.A., Panama, regulated by the Securities Commission of Panama.

Qatar Financial Centre (QFC): This material is intended to be distributed by Bank J. Safra Sarasin (QFC) LLC, Qatar ["BJSSQ"] from QFC to Business Customers as defined by the Qatar Financial Centre Regulatory Authority (QFCRA) Rules. Bank J. Safra Sarasin (QFC) LLC is authorised by QFCRA. This material may also include collective investment scheme/s (Fund/s) that are not registered in the QFC or regulated by the Regulatory Authority. Any issuing document / prospectus for the Fund, and any related documents, have not been reviewed or approved by the Regulatory Authority. Investors in the Fund may not have the same access to information about the Fund that they would have to information of a fund registered in the QFC; and recourse against the Fund, and those involved with it, may be limited or difficult and may have to be pursued in a jurisdiction outside the QFC.

Singapore: This document is disseminated by Bank J. Safra Sarasin Ltd., Singapore Branch in Singapore. Bank J. Safra Sarasin, Singapore Branch is an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110), a wholesale bank licensed under the Singapore Banking Act (Cap. 19) and regulated by the Monetary Authority of Singapore.

United Kingdom: This document is distributed from the UK by Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch, 47 Berkeley Square, London, W1J 5AU, United Kingdom to its clients and prospects. Bank J. Safra Sarasin (Gibraltar) Ltd whose Registered office is 57 – 63 Line Wall Road, Gibraltar, offers wealth and investment management products and services to its clients and prospects through Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch. Registered as a foreign company in the UK number FC027699. Authorised by the Gibraltar Financial Services Commission and subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority. Registration number 466838. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. Telephone calls may be recorded. Your personal data will be handled in accordance with our Privacy Statement. Where this publication is provided to you by Bank J. Safra Sarasin (Gibraltar) Limited, London Branch: This document is approved as a financial promotion for the purposes of s.21 of the Financial Services and Markets Act 2000; Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden; You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need; You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Bank J. Safra Sarasin Ltd
Alfred-Escher-Strasse 50
P.O. Box
CH-8022 Zürich
T: +41 (0)58 317 33 33
F: +41 (0)58 317 33 00
www.jsafrasarasin.com

© Copyright Bank J. Safra Sarasin Ltd. All rights reserved.