

The Allocation Dashboard

April 3, 2020

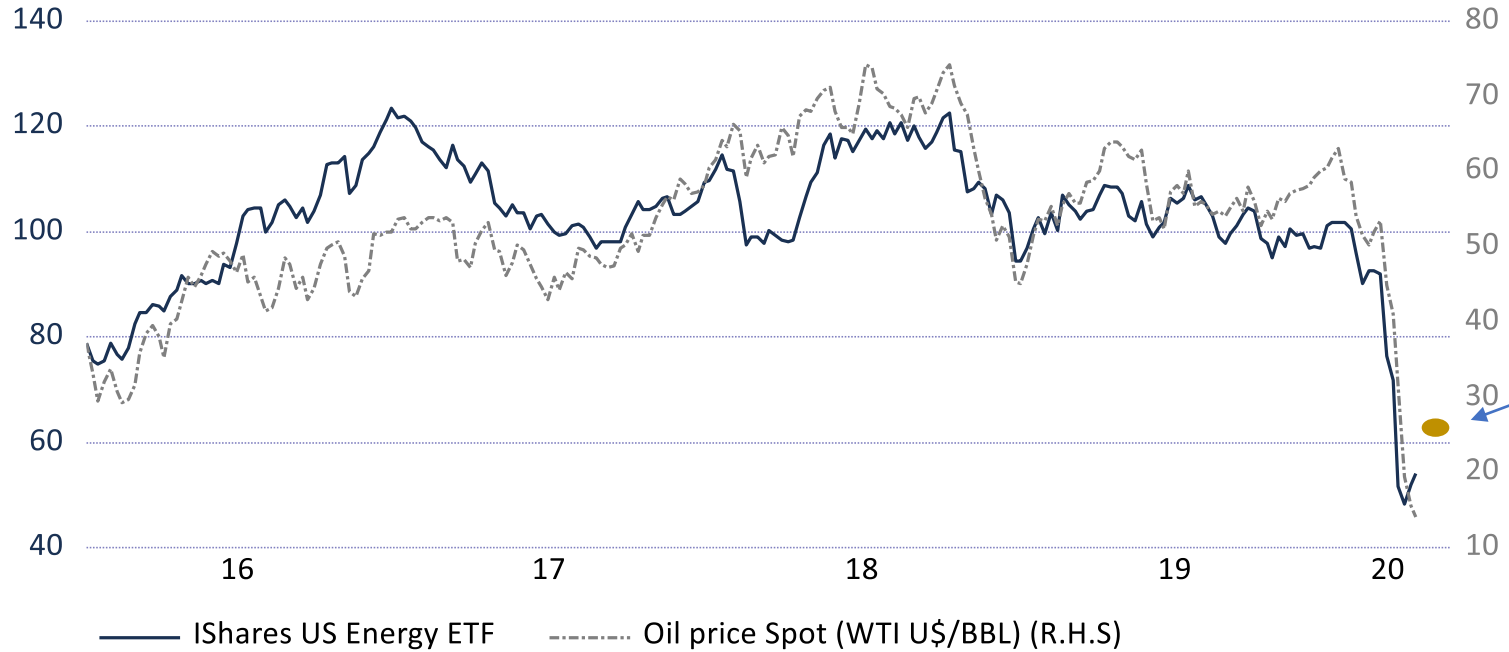
A tall order!

- If the *depth* of the sudden economic impact exceeds that of the two previous major crises, its *length* had better be shorter for risk markets to hold up.
- 1st requirement: spread of the crisis *visibly* peaks. 2nd requirement: business shutdowns and job losses prove short-lived post-crisis. Still seems a tall order.
- One potential bright spot is the oil market. The downward shift in demand will track the general crisis. Excess supply need not. But geopolitics make this a hard call (p.3).
- Corporate earnings take centerstage. Bottom-up estimates still don't sum up to anything realistic from a top-down perspective. We have made our own calculations (pp. 4-6).
- In the credit space, banks and the consumer goods sector still hold up well. Too well? (p.7)
- Current Illiquidity erodes the case for alternatives. Many private debt and private equity cases have been attractive due to compressed credit spreads and liquidity premiums (p.8)

A new Investment Case? US Energy stocks collapsed in Q1 2020, falling a whopping 49%

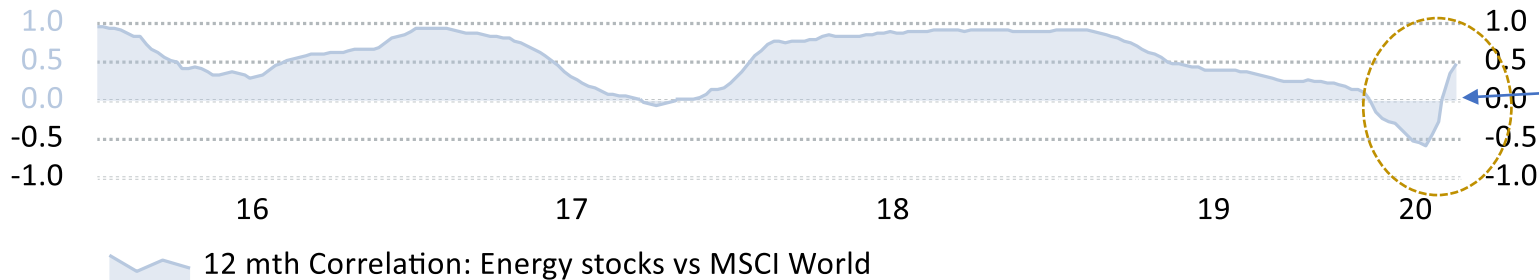
US Energy Stocks have collapsed

Effects of Corona+Oil prices



Y-day, Saudi & Russia appear to have started talks about a 15 million b/d cut in oil production.

Against this stands an estimated contraction in demand in Q1 of around 20 mill.

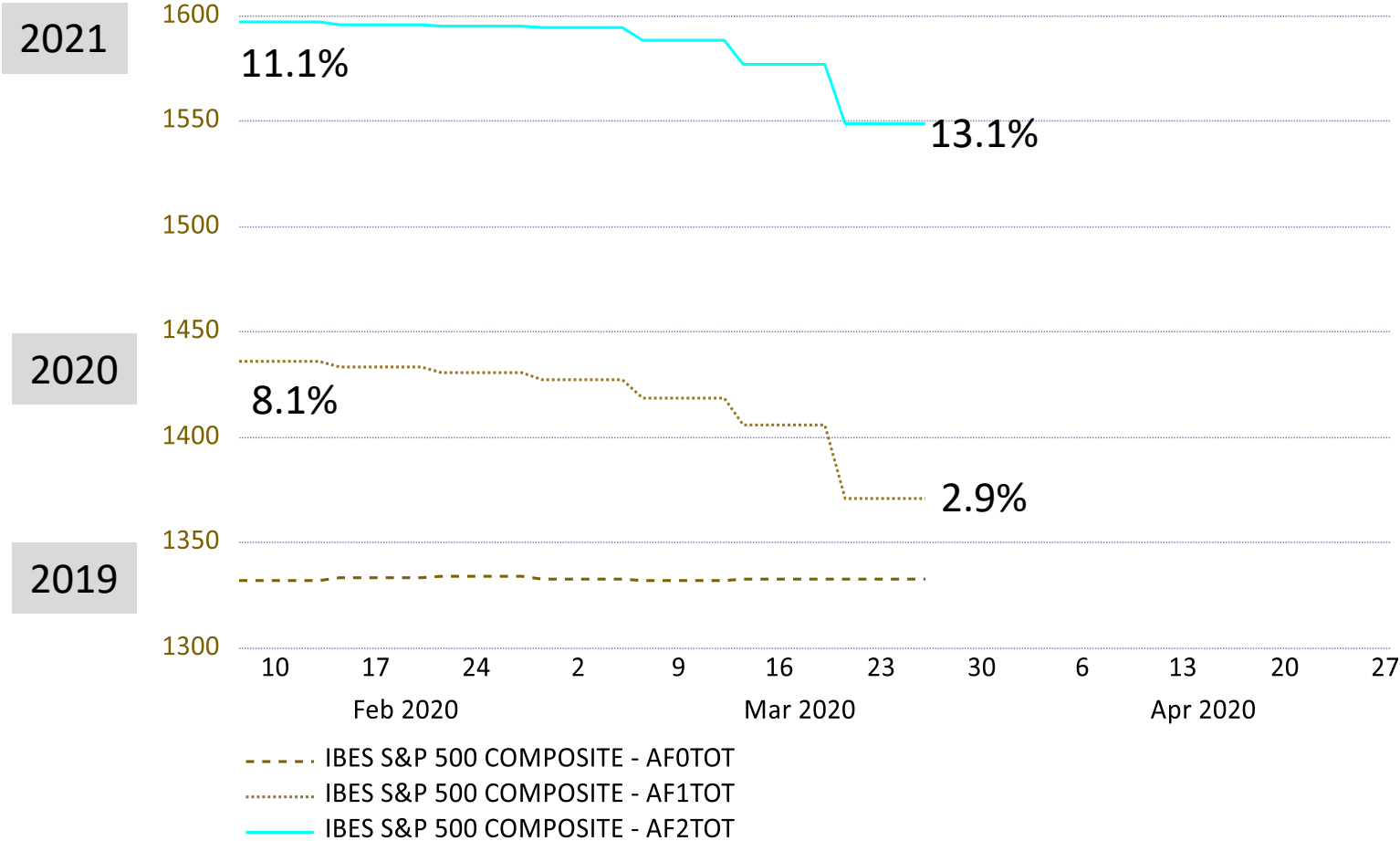


Is a positive alpha case for a US Energy Equity investment building up?

Source: Refinitiv Datastream

S&P500 EPS Growth Estimates (IBES)

x 1,000 2020 & 2021

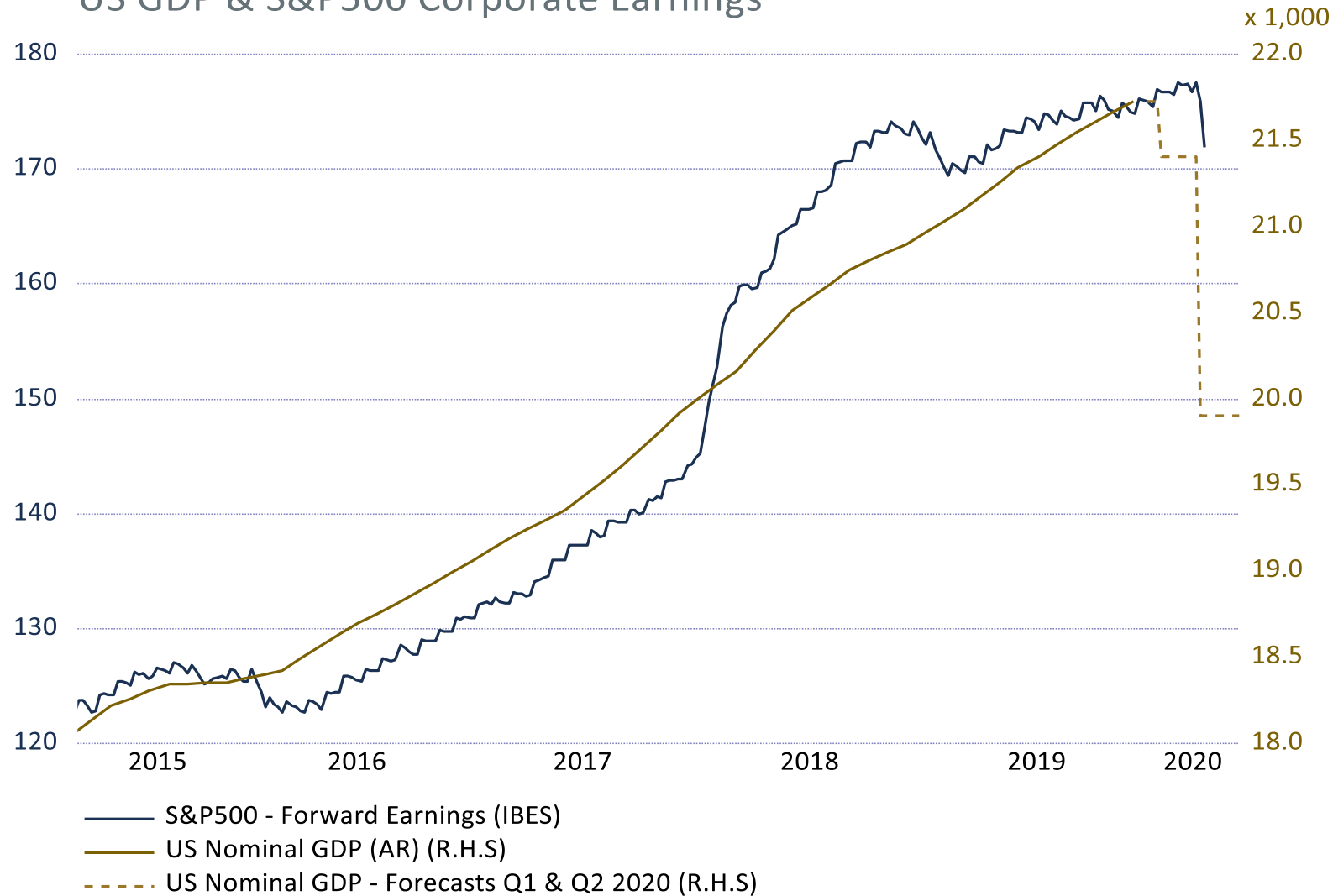


Bottom-up analysts are awaiting Q1 reporting

While we're waiting, bottom-up estimates still don't sum up to anything realistic on the top-down level.

Source: Refinitiv Datastream

US GDP & S&P500 Corporate Earnings



Translating a forecast of a 9% contraction in US H12020 nominal GDP in into S&P500 earnings, points to forward earnings revisions of the order of -14%

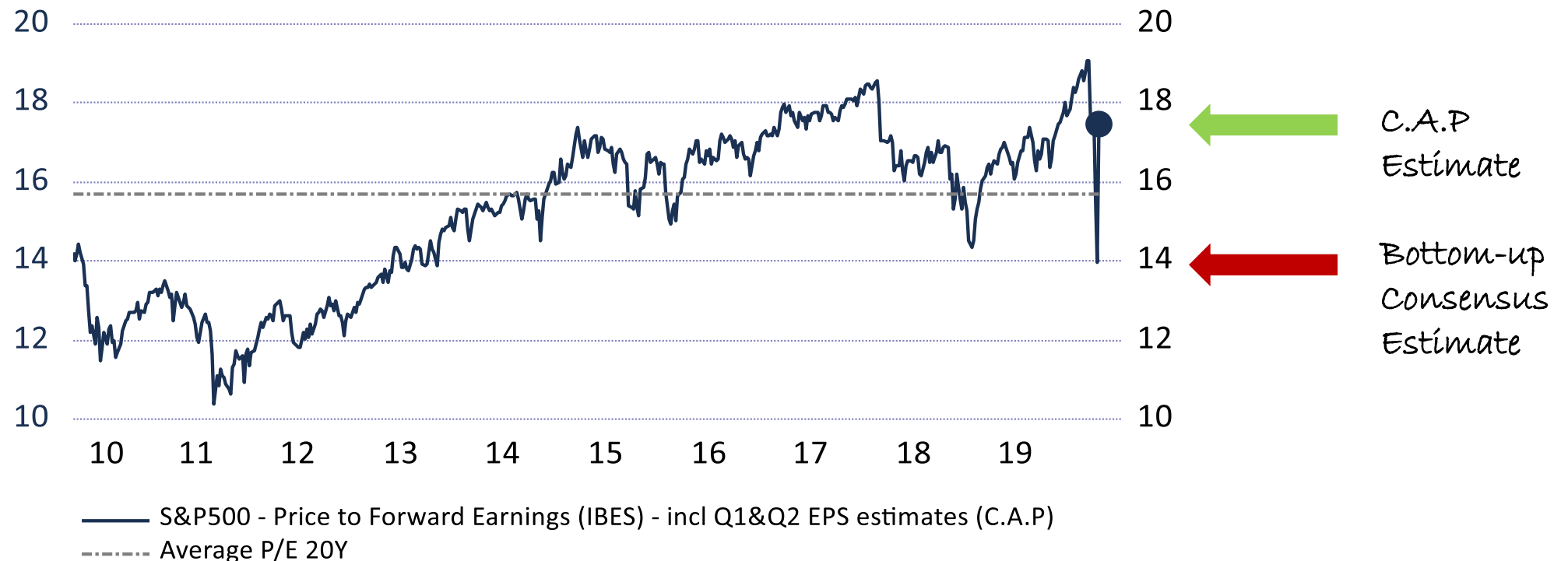
Source: Refinitiv Datastream

S&P500 is not cheap on P/E multiples.

The blow to US corporates earnings points to a PER of 17, a far cry from the PER 14 based on consensus IBES estimates for FY1/FY2.

S&P500 Price to Forward EPS (12 mth)

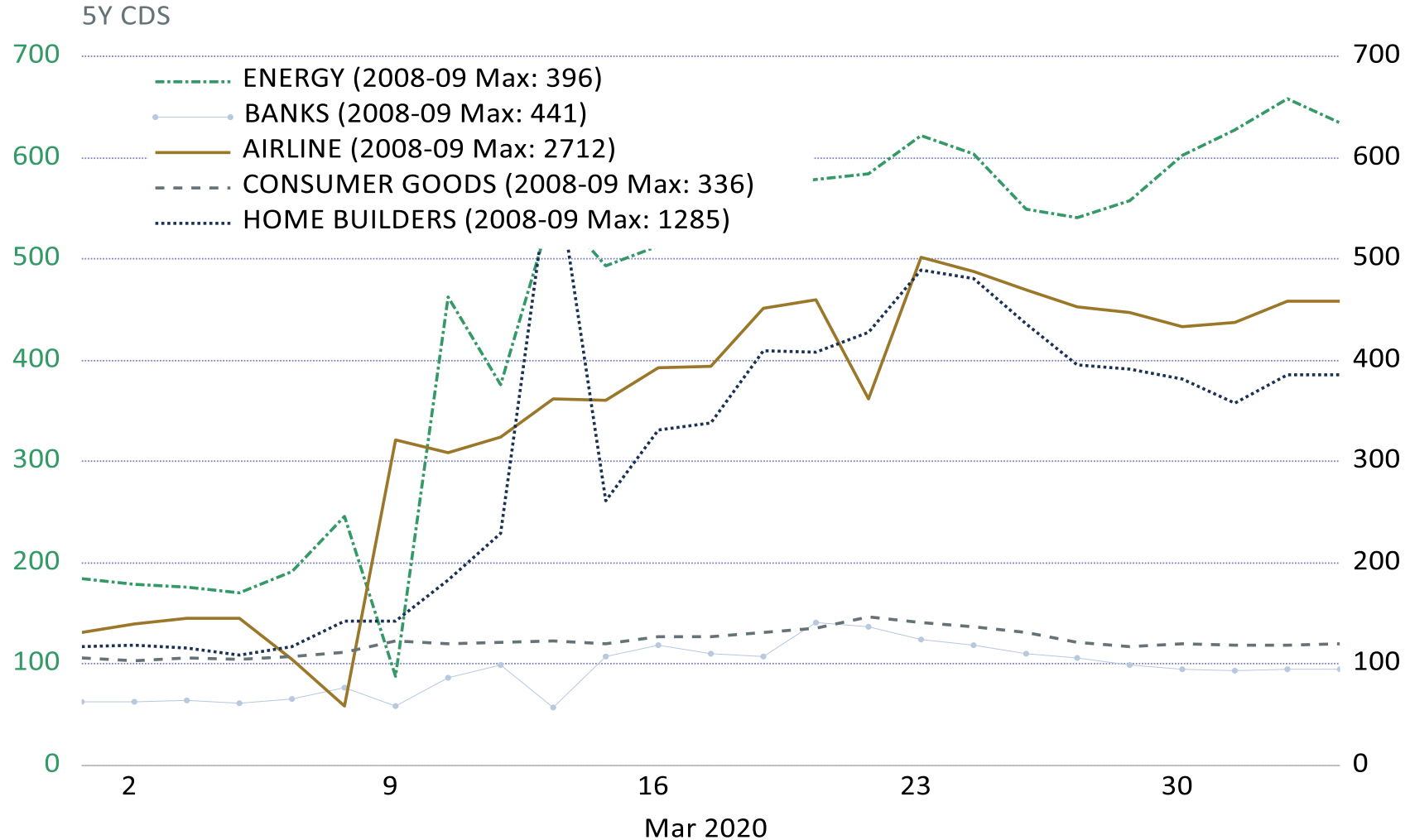
Incl. Estimates for Corona Crisis EPS effects H1 2020



Source: Refinitiv Datastream

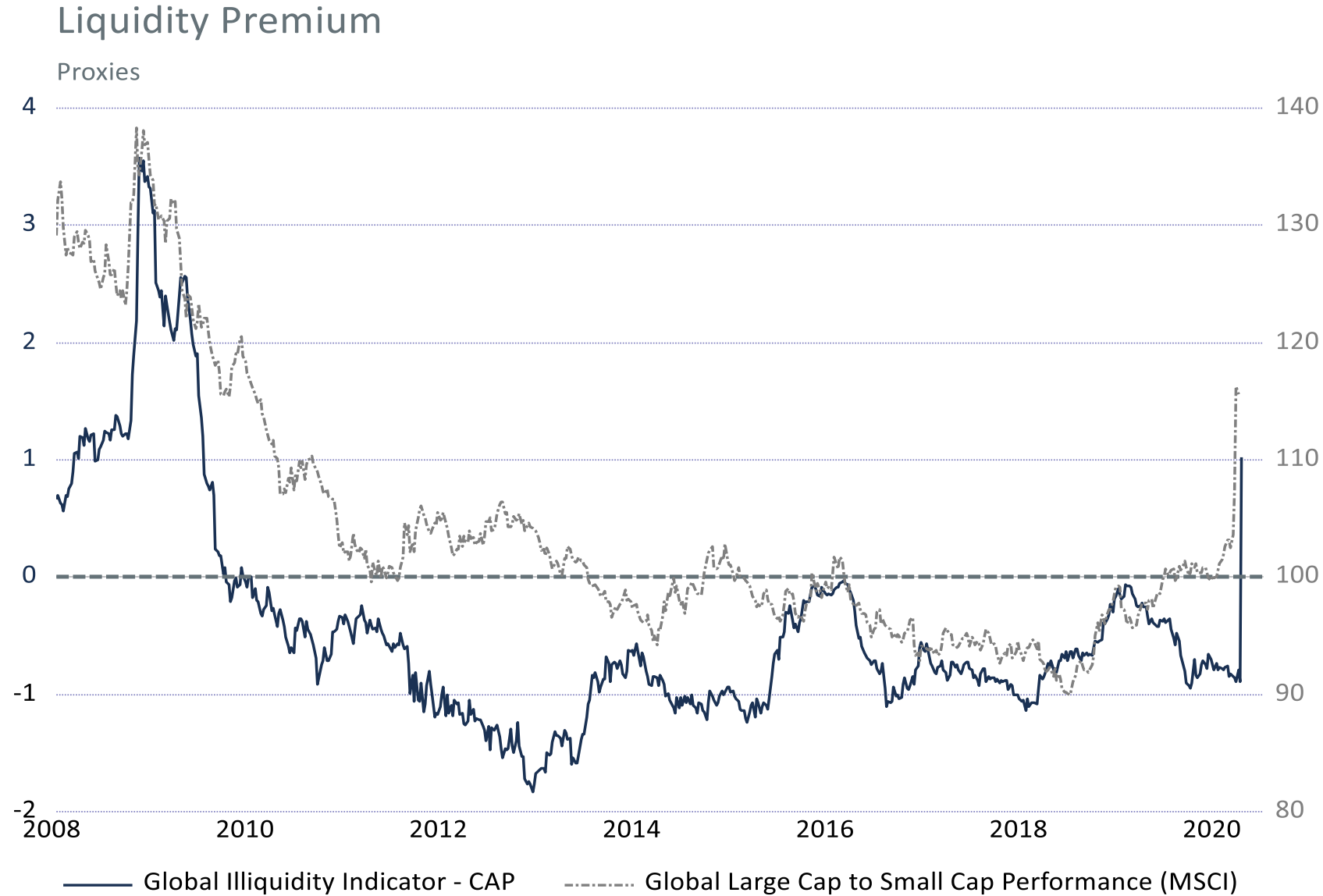
Are banks and consumer goods safe sectors?

US Sector spreads in March 2020



Source: Refinitiv Datastream

I. Pre-Corona: Compressed Premia



Many private debt and private equity cases have thrived on compressed credit spreads and liquidity premiums.

The current scenario erodes the case for alternatives.

The CAP-M Investment Universe

Hedge Asset Performance					
	Performance (EUR)				
	- 1w %	- 1m%	- 3m%	YTD %	-12m%
Hedge Assets					
Eurozone Core Gov Bonds	0.7%	-1.9%	2.3%	2.6%	4.1%
<i>BUND- Future (ETF)</i>	0.7%	-1.5%	2.1%	2.4%	3.6%
IG Corporate Bonds (EUR base)	0.6%	-7.0%	-6.5%	-6.3%	-3.7%
<i>IG Corporate Bonds - ESG (ETF)</i>	0.3%	-5.7%	-6.0%	-5.7%	-3.3%
<i>IG Corporate Bonds - BBB (ETF)</i>	0.4%	-8.1%	-8.3%	-8.1%	-4.0%
Long Bond Risk	5.1%	5.3%	22.7%	23.9%	37.3%
<i>Long Bond Risk - US</i>	6.0%	14.5%	36.0%	37.4%	56.1%
<i>Long Bond Risk - EU</i>	4.3%	-4.0%	9.3%	10.4%	18.6%
Short USD bonds	1.6%	3.7%	6.1%	6.3%	8.8%
<i>US Treasury 1-3Y (ETF)</i>	1.9%	3.8%	6.0%	6.2%	8.6%
<i>USD per EUR (contribution from:)</i>	1.5%	2.5%	3.1%	3.3%	3.0%
US Long High Quality Bonds	3.4%	7.4%	15.0%	15.5%	22.3%
<i>US Treasury 7-10Y (ETF)</i>	3.1%	6.2%	14.3%	14.6%	20.9%
Japanese High Quality Bonds	2.8%	2.2%	3.4%	4.0%	5.9%
<i>Japanese Short Gov. Bond (ETF)</i>	3.5%	1.3%	3.1%	4.3%	6.8%
<i>JPY per EUR (contribution from:)</i>	2.9%	2.4%	3.4%	4.0%	6.2%
Swiss High Quality Bonds	0.4%	-1.0%	2.1%	2.2%	4.5%
<i>Swiss Franc AAA-BBB 5-10 Bonds (ETF)</i>	1.5%	-6.6%	-3.1%	-3.1%	0.5%
<i>CHF per EUR (contribution from:)</i>	0.7%	1.1%	2.8%	2.9%	5.8%
Gold (EUR)	0.0%	3.1%	8.4%	9.2%	28.3%
<i>Physical Swiss Gold (ETF)</i>	0.2%	3.8%	8.6%	9.7%	28.4%

Risk Asset Performance					
	Performance (EUR)				
	- 1w %	- 1m%	- 3m%	YTD %	-12m%
Risk Assets					
High Yield Bonds	0.2%	-13.4%	-12.2%	-12.2%	-5.8%
<i>US High Yield (ETF)</i>	2.8%	-4.4%	-0.9%	-0.5%	8.6%
<i>EU High Yield (ETF)</i>	0.1%	-13.2%	-15.9%	-15.7%	-12.1%
Emerging Debt	-0.3%	-12.0%	-8.8%	-8.8%	-1.3%
<i>EMD Corporate Hard currency (ETF)</i>	1.6%	-9.1%	-7.2%	-6.8%	0.1%
Core Equities (EUR based)	-2.8%	-15.5%	-21.0%	-20.5%	-12.1%
Global Equities	-2.3%	-16.2%	-21.3%	-20.5%	-10.7%
US Equities - Large Cap	-2.5%	-16.0%	-19.6%	-18.8%	-7.4%
<i>US Large Cap - ESG (ETF)</i>	-1.9%	-14.3%	-17.9%	-18.0%	-4.7%
European Equities - Large cap	-2.8%	-16.4%	-25.0%	-24.3%	-16.3%
<i>EU Large Cap - ESG (ETF)</i>	-2.3%	-17.0%	-25.1%	-24.9%	
Emerging Markets Equities	0.1%	-15.3%	-23.0%	-21.9%	-16.9%
<i>EM Equities - ESG (ETF)</i>	-3.8%	-15.0%	-23.0%	-22.4%	-16.2%
Japanese Equities - Large Cap	-1.0%	-9.6%	-19.1%	-18.6%	-10.0%
<i>Japanese Equities (ETF)</i>	-4.2%	-8.8%	-19.2%	-18.0%	-10.3%
US Equities Growth	-1.9%	-11.6%	-10.7%	-9.0%	7.1%
<i>Nasdaq100 (ETF)</i>	-2.1%	-12.0%	-13.8%	-13.6%	-0.6%
US Equities Small Cap	-6.6%	-26.6%	-32.6%	-32.5%	-26.9%
<i>Russell2000 (ETF)</i>	-5.6%	-24.8%	-31.9%	-32.6%	-26.7%
European Small Cap	-4.4%	-19.2%	-28.4%	-27.6%	-18.6%
<i>MDAX (ETF)</i>	-4.6%	-19.3%	-28.6%	-27.8%	-18.9%
CAP-M Equity Bear	7.4%	32.7%	64.3%	60.9%	19.2%

