# Piguet Galland & you.
# Market Insights
# No. 194 - September 28, 2020

## Essentials

**The US dollar has been buoyed by the more uncertain stock-market climate. Last week it rose against most other currencies. It's not surprising that the greenback has bounced back, after it fell close to 10% against the euro over the summer. But once this brief technical rally is over, it could continue to move downwards.**

**In August, Swiss watch exports dropped 12% compared with the year-earlier period. That might be a disastrous slump in absolute terms, but it's also a marked improvement on previous months – back in April, watch exports plunged 80%. So, it looks like the watchmaking industry is still gradually recovering, even though public-health risks are on the rise again.**

**US companies now need a licence to supply SMIC, China's largest chip manufacturer. This is just one of a series of restrictions brought in against Chinese tech companies in the run-up to the US elections, causing tensions to flare and increasing the risk of reprisals from China.**

| | USD / CHF | EUR / CHF | GBP / CHF | EQUITIES SWITZERLAND | EQUITIES EUROPE | EQUITIES USA | EQUITIES JAPAN | EQUITIES EMERGING | GOLD | OIL | ALTERNATIVE FUNDS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Trend | ↓ | → | ↗ | ↓ | ↓ | ↘ | ↘ | ↓ | ↓ | ↓ | ↘ |
| % YTD | -4.0% | -0.5% | -7.7% | -3.8% | -16.2% | 2.1% | -5.1% | -5.0% | 22.7% | -36.5% | 1.1% |

↓ : < -1%    ↘ : -1 to -0.25%    → : -0.25 to + 0.25%    ↗ : + 0.25 to 1%    ↑ : > 1%

*Weekly trend

## The Fed is not out of ammunition

Daniel Varela
Chief Investment Officer

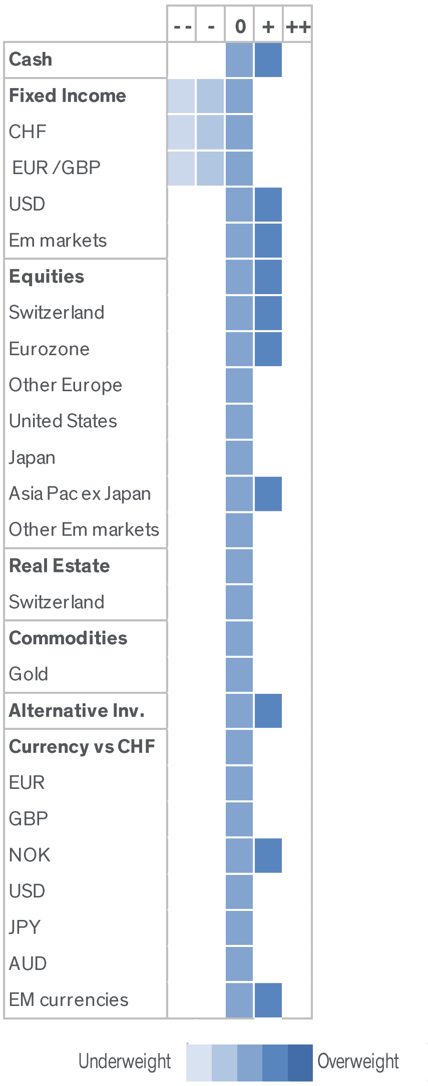
The correction continued last week on Wall Street – and most other global stock markets followed suit. One of the things worrying investors is the resurgence in COVID-19 cases in several European countries, as that increases the likelihood of local lockdowns being imposed. Another is the upcoming US presidential election. When questioned by a journalist, Donald Trump insinuated that he might not be willing to relinquish power if he lost the election. The prospect of an institutional crisis if the election is a close call could increase volatility on both US and global stock markets over the coming weeks. But recently investors have also started to have concerns about central bankers, especially at the US Federal Reserve. The policy shift announced by Fed chair Jerome Powell, which means that the Fed's focus is now on growth even if that means higher inflation, raised hopes of further stimulus measures. But no such measures have been announced. Investors now seem worried that the Fed might have run out of options. Yet since the start of the public-health crisis, the Fed – just like other major central banks – has shown the full extent of its powers. While interest rates can't really go any lower, the Fed and European central banks still have plenty of scope to expand their balance sheets through asset purchases. But central banks keep saying that such a large-scale economic crisis requires a combination of extremely loose monetary policy and fiscal measures – such as government spending and tax cuts. So, if Powell seems to have been biding his time over the past few weeks, it's no doubt because partisan politics have prevented Congress from approving a new economic relief package. This is the Fed's way of putting pressure on the politicians to ensure that the cheques that have helped millions of US households get through the crisis. As long as inflation remains under control, investors are wrong to be worried about central banks' firepower and the indirect support they provide to the financial markets.

# Commodities – major disparities

Léonard Dorsaz
Investment analyst & manager

Commodities have put in very disparate performances so far this year, with three distinct groups emerging. First there's gold – the undisputed leader. It's the most popular commodity for very good and well-known reasons. We nonetheless decreased our exposure to gold, as it went above USD 2,000 per ounce and we think investors are too bullish. We don't regret that decision, because the metal hasn't provided much protection during recent stock-market downturn. We may well increase our exposure again, but we prefer to wait until gold prices are less in line with the financial markets and optimism isn't so high. At the other end of the spectrum, oil has sparked a lot of interest and attracted large inflows of capital, even though the price trend has been very disappointing. We think the market is still out of balance and has only been kept relatively stable because Opec has limited its production to try and even out supply and demand. The third group comprises all other commodities, which investors have shown little interest in despite their more buoyant trend. Within that group, we prefer industrial metals, especially copper. Inventories are still near their all-time lows and demand is picking up. Production can't be ramped up all that quickly, so any sign of an uptick in growth is extremely good news for these assets.

# Synoptic view




# Recent Recommendations

| | | |
|---|---|---|
| Siemens | Hold | September 28, 2020 |
| Yum China Holdings | Buy | September 23, 2020 |
| Infineon Technologies AG | Buy | September 17, 2020 |
| Adobe Inc | Hold | September 8, 2020 |
| Rolls Royce | Sell | September 3, 2020 |
| Standard Chartered | Sell | September 2, 2020 |

# Our “expertise” events

Piguet Galland organises regular events for its clients. Please do not hesitate to register on our website: https://www.piguetgalland.ch/fr/agenda/

Do not hesitate to contact your adviser or write to us at the following e-mail address : advisory@piguetgalland.ch