



FK Market Commentary

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Editorial

→ Page 03

Short Summary

→ Page 04

Stock Markets

→ Page 05

Bond Markets

→ Page 06

Forex Markets

→ Page 07

Commodities

→ Page 08

Excursion

→ Page 09

FK Services

→ Page 10

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Dear customers of Finanz Konzept AG, Dear readers!

The 3rd quarter of 2020 was characterized by economic and political turbulence. A market recovery in July and August, immediately followed by a small market crash in early September. A small correction or the beginning of a new slump? This is a question that is currently occupying everyone in the financial world. This quarter was demanding and complex, but also exciting and rich in experience.



For example, what influence do issues such as the political struggle in the US presidential election between Joe Biden and Donald Trump, the fight against the corona virus, the excesses in the technology sector have on the stock markets, the bond market or the raw materials sector? In this market commentary, we have asked ourselves these questions and our research gives us an outlook for the coming months.

We wish you an exciting read!

Yours sincerely,

A handwritten signature in black ink, appearing to read 'L. Oberle'.

Lars Oberle

Director - Finanz Konzept AG

Money and Capital Markets Capital market interest rates in % (10 year bonds)

	30.06.20	30.09.20	3 M	12 M
CHF	-0.431	-0.466	→	↗
EUR (DE)	-0.453	-0.482	→	↗
GBP	0.172	0.145	↘	→
USD	0.658	0.631	↘	→
JPY	0.027	0.024	→	→

- The Federal Reserve increases its margin through more flexible inflation targets
- The ECB uses its entire arsenal to boost the Eurozone economy

We recommend:

- Short-term high-quality American corporate and government bonds (USD)
- Reduce long-term bonds (CHF, EUR)

Stock Markets Indices

	30.06.20	30.09.20	3 M	12 M
SMI	10 045.30	10 040.33	↗	↘
EUR STOXX 50	2 786.90	3 227.48	↗	↘
FTSE 100	6 169.74	6 183.71	↗	↘
S&P 500	3 100.29	3 051.36	↗	↘
Nikkei	22 288.14	22 273.40	↗	↘
DAX	12 310.93	12 243.10	↗	↘

- The market is very susceptible to brief and sharp corrections
- Tech shares with first signs of weakness

We recommend:

- Rotation into defensive stock sectors (utilities, pharma)
- Reduction of overheated Tech shares
- A generally reduced proportion of shares

Forex Markets Currencies

	30.06.20	30.09.20	3 M	12 M
EUR / CHF	1.0642	1.0670	↘	↘
EUR / USD	1.1233	1.1206	↘	↘
EUR / JPY	121.23	120.765	↘	↗
GBP / CHF	1.1746	1.1702	↘	→
USD / CHF	0.9472	0.9514	↘	↘

- The US dollar under the pressure
- High volatility in emerging market currencies
- Brexit chaos depresses the British pound

We recommend:

- Sell the USD into strength
- Buy the dips (EUR, JPY)

Commodities in USD

	30.06.20	30.09.20	3 M	12 M
Brent Oil ^(USD)	39.79	39.01	↗	↗
Gold ^(USD)	1 800.50	1 770.35	↗	↗
Silber ^(USD)	18.63	17.85	↗	↗
Platin ^(USD)	851.20	809.00	→	↗

- Empty warehouses lead copper to new highs
- Gold and silver rally come to a halt

We recommend:

- Sale of palladium
- Weigh crude oil neutrally
- Realize partial profits on gold (gold price USD/ounce > USD 2'000)

Crypto-Markets

	30.06.20	30.09.20	3 M	12 M
BTC ^(USD)	9 127.39	9 071.12	↗	↗
ETH ^(USD)	227.44	227.82	↗	↗
XRP ^(USD)	0.1778	0.1767	↗	→
BCH ^(USD)	223.69	223.40	↗	↗
LTC ^(USD)	41.34	41.38	↗	→

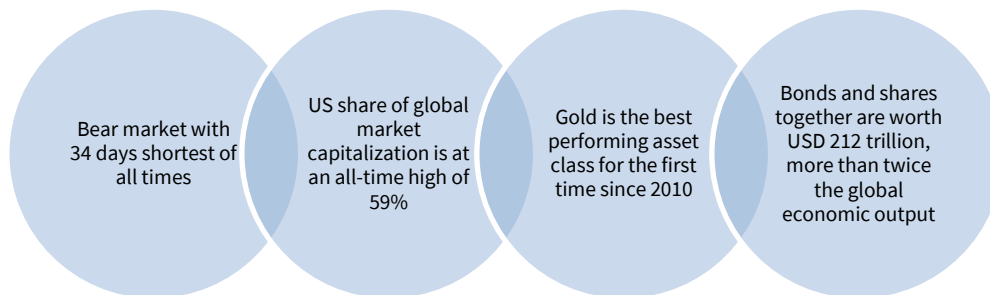
- Crypto in the wake of the stock market correction
- Bitcoin cannot stand up to correction in the crypto markets

We recommend:

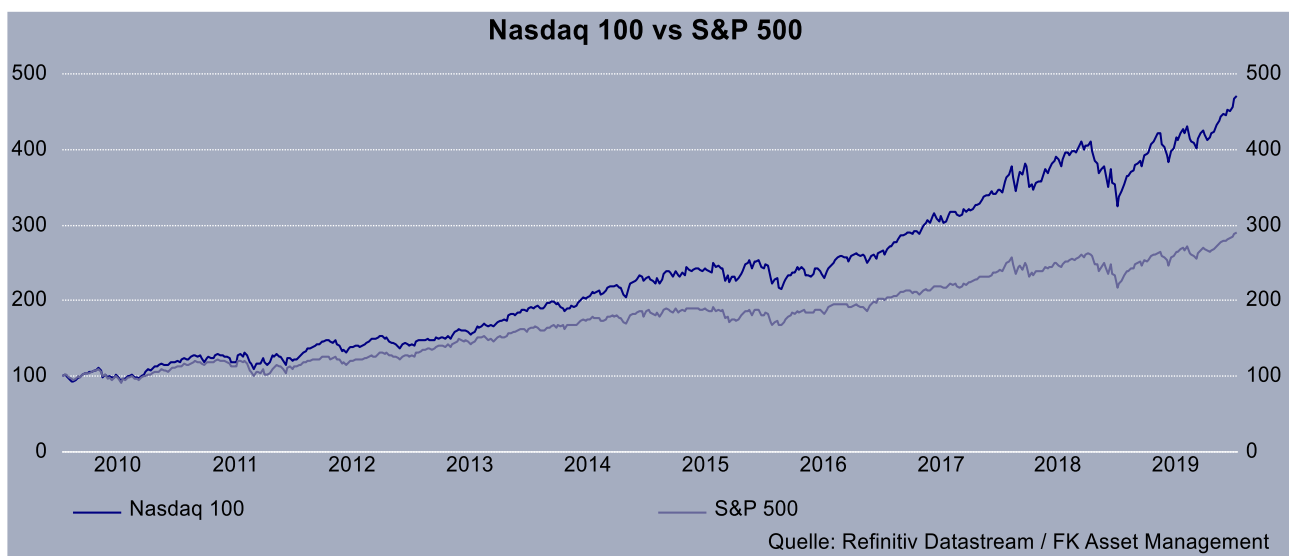
- Hold existing positions
- Smaller purchases of Bitcoin in case of strong corrections

Unique market situation

There are many signs that the current situation on the financial markets is unique. Michael Hartnett, Chief Strategist of Bank of America presents a list of records:



The development that led to the records is divided by observers into three forces: V, L and TINA. V stands for the hope of a V-shaped recovery of the market, according to which long-term damage will not occur. L stands for liquidity through the stimulus of the central banks. The great liquidity displaces the fear of inflation. TINA is an abbreviation for "There is no Alternative". There is no better alternative than the stock market for investors, despite record high prices. The TINA principle is particularly evident in the case of the tech giants, which are showing strong growth in market value. If we look at the twenty largest US stocks by market capitalization, they now include ten tech stocks, compared with six at the beginning of the year. The dominance of technology stocks is no accident. Over the past ten years, corporate earnings for shares on the Nasdaq 100 have almost quadrupled. By contrast, the S&P 500 has grown by just 65%.



Analysts estimate that the Nasdaq 100 is expected to show a much more stable business development. But to see us in the chart is no longer a secret. In the meantime, the Nasdaq 100 has reached a valuation level that we regard as unhealthy. We are currently seeing the first signs of a sector rotation into cyclical stocks. Profit-taking in hot tech stocks is recommended.

Leading central banks continue to implement monetary stimulation programs without increasing their volume

The Federal Reserve sent a clear signal to investors that the members of the Open Market Operations Committee do not expect interest rates to rise in the next three years. The head of the Federal Reserve, Jerome Powell, said that the regulator would keep the volume of purchases of government bonds and mortgage-backed securities at \$120 billion per month. The lack of a long-term perspective in the comments of Fed management disappointed market participants. Meanwhile, the People's Bank of China has left its annual and 5-year LPR rates unchanged (3.85% and 4.65% respectively), which could reflect a shift towards a neutral monetary policy. The Bank of Japan is also leaving the key parameters of its monetary policy unchanged, while the ECB is revising its asset purchase policy. The monetary policy parameters of the Bank of England have not changed. Where interest rates can be lowered, this option is still exhausted (Mexico). Turkey stands out just too exotically, having unexpectedly raised interest rates by 625 basis points to 24% in order to counteract rampant inflation of 18%.

The ECB faces a task of Herculean proportions

The European Central Bank (ECB) is doing its best to boost the eurozone economy. Various asset buyback programs are underway, but the European regulator faces a more difficult task than the US Federal Reserve. The Federal Reserve operates in a huge and highly liquid debt market, where \$20 trillion of treasury securities alone are traded, while the ECB has to deal with the underdeveloped European bond markets.

Germany made its debut in the green bond market

In this quarter, Germany caused a sensation with its entry into the market for green government bonds. The country placed 10-year bonds worth EUR 6.5 billion, well above the minimum target of EUR 4 billion. Green bonds are an instrument to raise funds for government projects to ensure climate sustainability. The total application book contains projects worth 33 billion

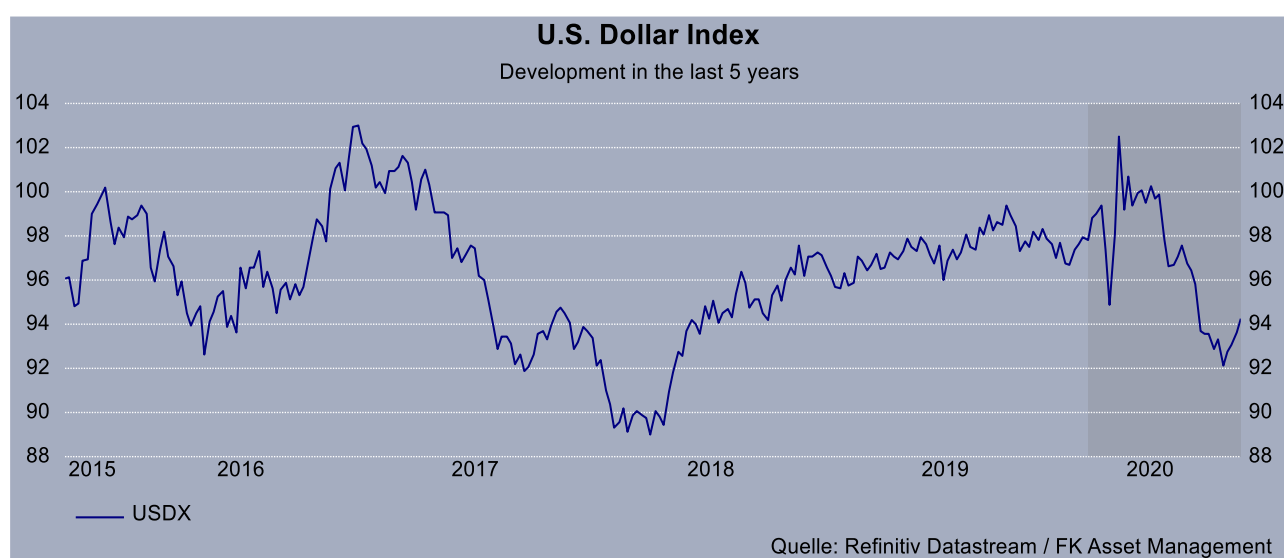
euros. The German government is combining green "bonds" with conventional bonds with similar maturities, thereby increasing their liquidity. Last week's auction was similar in volume to the issue of ordinary 10-year bonds in June. If the price of green bonds falls below the price of ordinary bonds, arbitrage transactions are possible.



«The US dollar on a plunge»

At the beginning of the COVID-19 crisis, the US dollar was able to gain against other currencies. Since the end of May at the latest, however, the Dollar Index has been recording a sustained negative trend. Where the index will catch up can currently only be guessed.

After a short-term peak during the pandemic, as last seen in 2016, the Dollar Index has already fallen back below the level at the beginning of the year and can no longer keep up even with weaker currencies such as the British pound or the Swedish krona. One of the triggers of this possibly ongoing negative trend is certainly the sharp decline in the interest rate advantage in the USD due to the lowered interest rates in the USA, whereas those in the European Union remain unchanged. On the other hand, public finances are also contributing to this development. Although public deficits have also risen sharply in the European countries, the USA has an exorbitantly high public deficit. Most recently, the ratio of public debt to GDP in the USA had reached its current level after the end of the Second World War. The main cause for concern here is the speed with which this budget deficit is entering the United States of America. This unprecedented rescue policy of the US Federal Reserve has meant that the relative attractiveness of US government bonds compared with bonds from other countries has declined, putting additional pressure on the dollar. In a similar way, the European program for overcoming the crisis by means of a reconstruction fund also contributed to the trend. The new agreement in the EU on common debt is an important step towards strengthening the euro zone.



The Dollar Index places the US dollar in relation to six reference currencies (euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc) and thus shows the relative appreciation or depreciation of the currency.

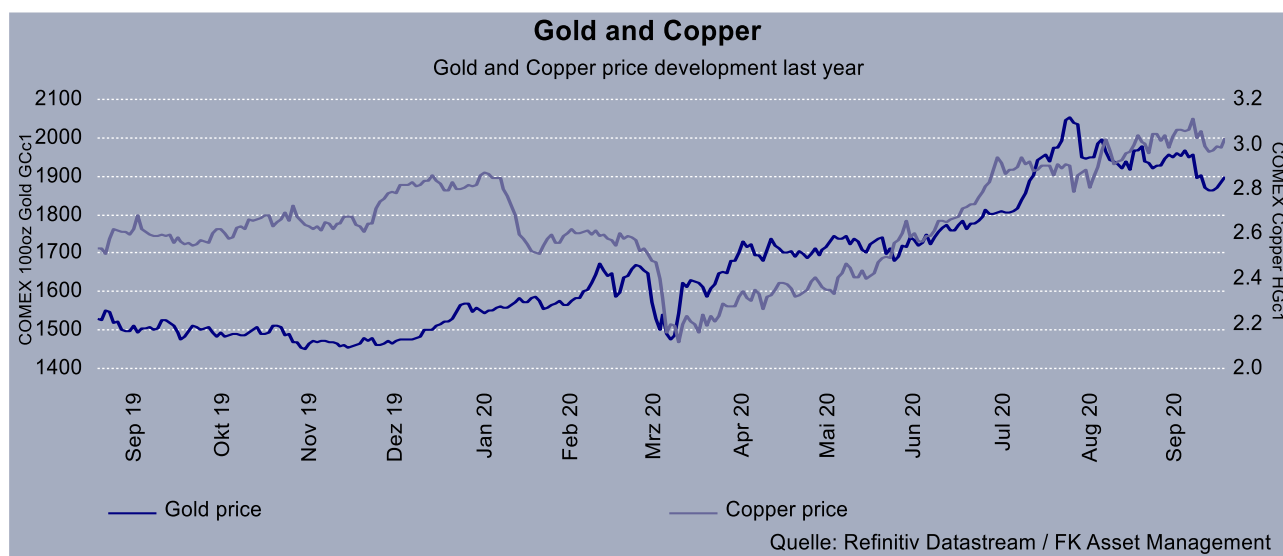
All these developments and the declining attractiveness of American government bonds do not change the fact that the Greenback has its reputation as a world reserve currency and will continue to serve as an instrument of power politics in the future. This was made clear to us in textbook terms at the beginning of the year when insecure investors fled into the dollar. The potential growth of the US economy is also far superior to that of most other industrialized countries, and the past has shown that it often emerges from crises faster than the European economy. For its part, the ECB will continue to intervene verbally against a strong EUR, so that the EUR rally does not continue and nip fragile growth in the bud.

Gold or copper?

Copper and gold are currently very frequently traded commodities. One would think that copper as an industrial metal suffers in the middle of a recession and gold as a crisis currency emerges as the clear winner, but both metals have recently reached new highs. How is that possible?

The gold price has been declining for several consecutive days and is currently at \$1870 an ounce. While the yellow precious metal is seeking its bottom after a strong rally, the industrial metal copper is rising to a two-year high despite economic uncertainty. Copper is mainly used in the construction sector and for electronics. The global construction sector did not suffer any major damage during the pandemic and the demand for electronic hardware (e.g. gaming sector, computer hardware for home offices) even increased. Massive economic stimulus programs will continue to ensure positive demand from the construction sector. The Chinese economy, as the largest consumer of copper, is also already back on a growth path which is further supporting demand. In contrast to the global gold reserves, however, the global reserves of copper are far from exhausted. The supply side can therefore react quickly to the increasing demand and thus stabilize prices.

Even if the price development of both precious metals was perhaps comparable recently, the further development of gold depends on completely different factors. Most of the world's regulators resorted to interest rate cuts in 2020 to support the economy and mitigate the negative effects of coronavirus. Particular attention should be paid to the measures taken by the US Federal Reserve, which cut the key interest rate from 1.5 - 1.75% in 2020 to the current 0 - 0.25%. Traditionally, a strong driver for the gold price has been the decline in real interest rates. Real interest rates are a conditionally risk-free return (e.g. US government bonds) minus inflation. The interest rate cut by the US Federal Reserve and global uncertainties have pushed real rates even further down, leading gold to soar. Gold does not generate cash flow and is therefore dependent on how inflation and interest rates develop. Interest rates will hardly move in the medium term, which is why gold remains an interesting instrument for portfolio diversification as a protection against inflation.



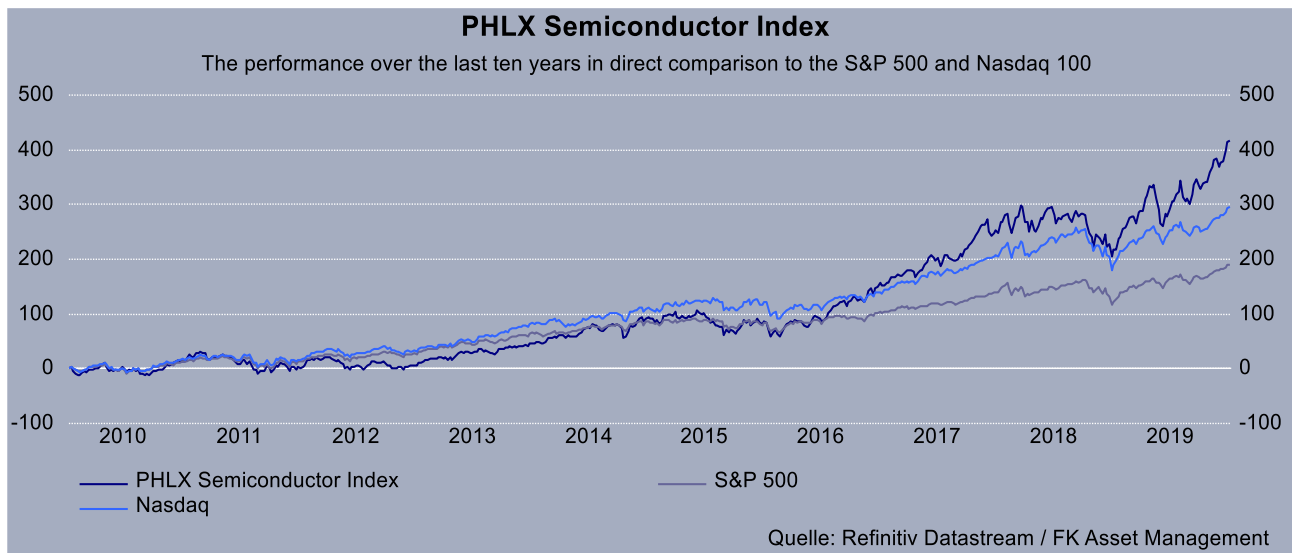
In addition, this month investors are trying to estimate the timing and size of the next tranche of financial assistance in the U.S. Recently, Treasury Secretary Stephen Mnuchin called on the US Congress to allocate more funds to combat the consequences of the coronavirus pandemic. Once the new liquidity package is agreed, gold could receive additional support.

«Chips are the central nervous system and the brain of every modern technology»

Hardly any other sector owes the digital transformation we have witnessed in recent decades more than semiconductors. In particular, the advances in technology in recent years and hot topics such as electric cars or the introduction of 5G give reason to take a closer look at the semiconductor sector.

The figures on the stock market in recent months are impressive if you look at technology companies such as Apple, Amazon, Netflix or Microsoft. In any case, one can conclude that the COVID-19 crisis has given a powerful boost to the economy given the current state of digitalization. Especially remarkable is the boom in cloud services, which have really taken off due to trends like "Work from Home".

All this is only possible thanks to ever more powerful semiconductors, because chips are the engine of the digital revolution. This is again underpinned by the performance of the semiconductor sector (PHLX Semiconductor Index), which has hardly been outperformed by any other sector.



So far, major paradigm shifts, such as the development of laptops and smartphones, have fuelled growth in this sector. Although no such relevant paradigm shifts are immediately foreseeable, there are surprisingly few industries that have been spared the advent of such chips.

For a long time, nobody could hold a candle to Intel in the production of high-performance semiconductors. The "Wintel system", consisting of Intel microprocessors and the Windows operating system, has dominated the IT industry for decades. In recent years, however, even this Wintel empire has begun to crumble due to several setbacks. All of a sudden, Taiwan Semiconductor Manufacturing (TSMC) was in the lead for the first time in a long time as a new contract manufacturer.

This mentioned broader use of chips and thus growing semiconductor sector has not only economic but also geopolitical consequences. The tech war between China and the USA currently dominates the headlines. It remains to be seen how this war will develop in the coming years and what its impact will be on various markets. However, even this does not change the fact that the semiconductor sector will continue to gain in relevance in the coming years.

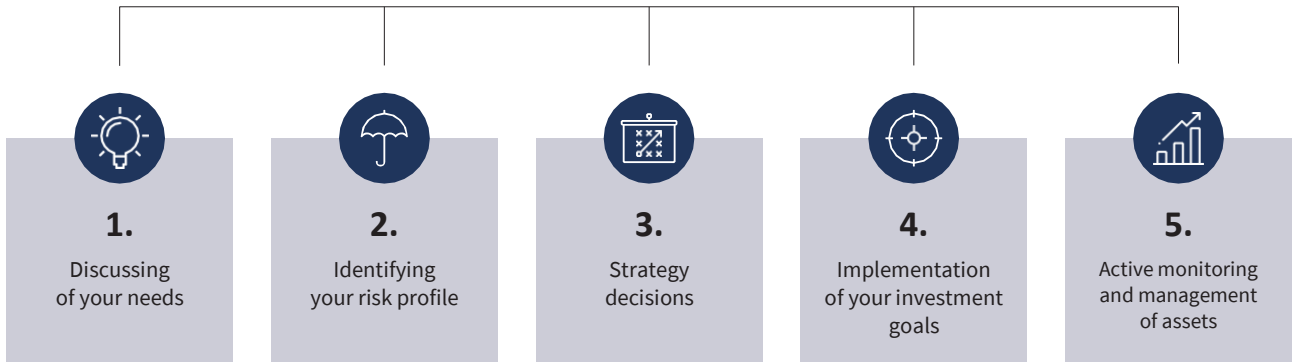
The right solution for every need

We offer you a wide range of products and services to choose from. Our goal is to fulfil your personal and individual needs.

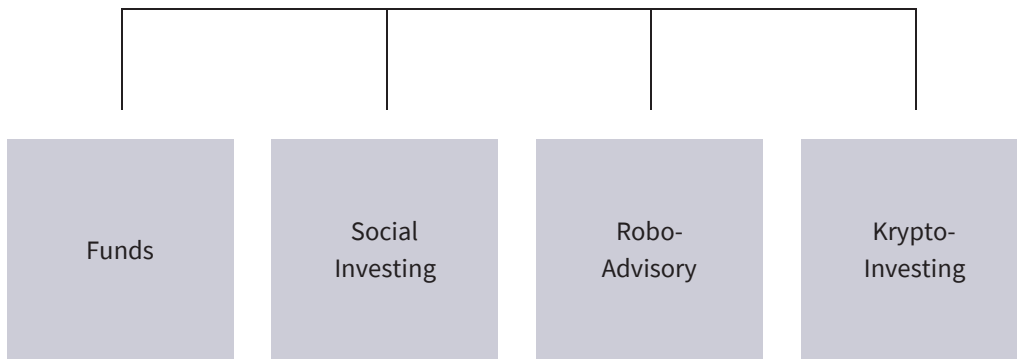
SERVICES OVERVIEW



FK Discretionary Mandate



FK Execution Only Mandate

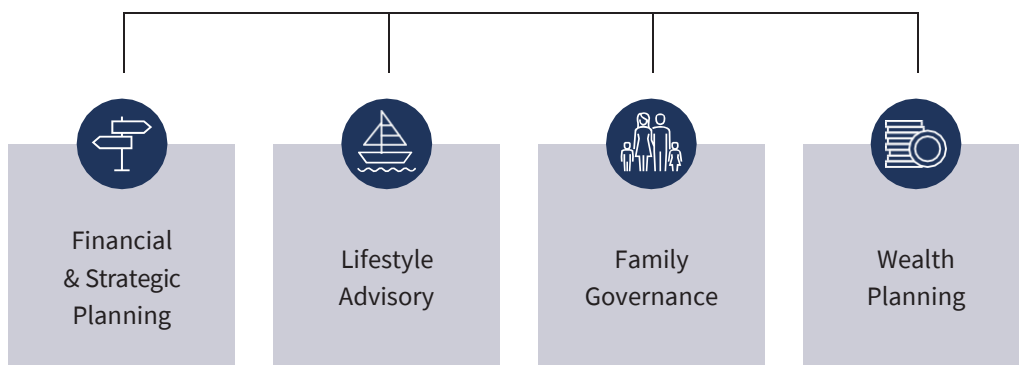




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