INVESTMENT STRATEGY

April 2020

FINANCIAL MARKETS

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Figures at 31/03/2020

EQUITIES

Performances in EUR	Price	YTD	12m rolling
MSCI World	1,852.73	-19.6%	-10.1%
MSCI Europe	107.38	-23.1%	-16.1%
MSCI EMU	98.52	-25.3%	-18.0%
MSCI Belgium	61.75	-31.0%	-30.1%
MSCI Netherlands	136.29	-18.9%	-7.8%
MSCI France	126.77	-26.1%	-17.7%
MSCI Germany	114.34	-25.5%	-17.5%
MSCI UK local	1,619.01	-24.9%	-22.8%
MSCI Spain	80.63	-28.3%	-26.6%
MSCI Italy	45.66	-27.9%	-22.3%
MSCI Switzerland	1,242.86	-10.2%	3.6%
MSCI USA	2,459.87	-18.2%	-6.9%
MSCI Japan	848.74	-15.6%	-6.4%
MSCI Emerging Markets	848.58	-22.1%	-18.0%
MSCI Hong Kong	12,442.84	-15.9%	-21.8%
MSCI China	76.52	-8.2%	-5.7%
MSCI Brazil	1,172.10	-49.4%	-42.4%

GOVERNMENT BONDS (JPM INDICES)

Performances in EUR	Price	YTD	12m rolling
1 - 3 y	227.48	-0.4%	-0.2%
3 - 5 y	311.00	-0.4%	0.7%
5 - 7 y	414.82	-0.3%	2.1%
7 - 10 y	495.72	0.1%	3.7%
> 10 y	734.95	1.1%	11.2%

CURRENCIES

Perfomances versus EUR	Price	YTD	12m rolling
EUR - USD	1.10	1.6%	1.7%
EUR - GBP	0.89	-4.9%	-3.2%
EUR - JPY	118.62	2.6%	4.7%
EUR - CHF	1.06	2.3%	5.3%
EUR - NOK	11.45	-14.2%	-15.7%

COMMODITIES

Performances in USD	Price	YTD	12m rolling
Gold	1,577.18	3.9%	22.0%
Crude Oil (Brent)	22.74	-65.5%	-66.7%

ALTERNATIVE INVESTMENTS

Performances in EUR	Price	YTD	12m rolling
Global Hedge Funds (HFRXGL Index)	-	-5.1%	0.4%
Market Neutral (HFRXEMN Index)	-	-6.0%	-7.3%
Event Driven (HFRXED Index)	-	-3.6%	5.1%
Macro Multi-Strategy (HFRXMMS Index)	-	4.1%	9.4%

CORPORATE BONDS (JPM INDICES)

Performances in EUR	Price	YTD	12m rolling
AAA	233.64	0.4%	1.9%
AA	240.85	0.2%	2.8%
A	233.26	-4.3%	-2.6%
BBB	248.90	-6.9%	-3.3%
Investment Grade	245.39	-2.6%	-0.2%
High Yield	243.04	-16.2%	-11.9%

Source: Bloomberg

- A tremendous sell-off wave has rolled over the stock markets, resulting in the worst monthly and quarterly performance since the Global Financial Crisis. All 49 countries in the MSCI All Country World Index ended in red. Commodities collapsed, led by the 55% nosedive of Brent Crude following the breakdown of the OPEC+ alliance. Safe havens as government bonds, gold and USD did well.

Figures at 31/03/2020

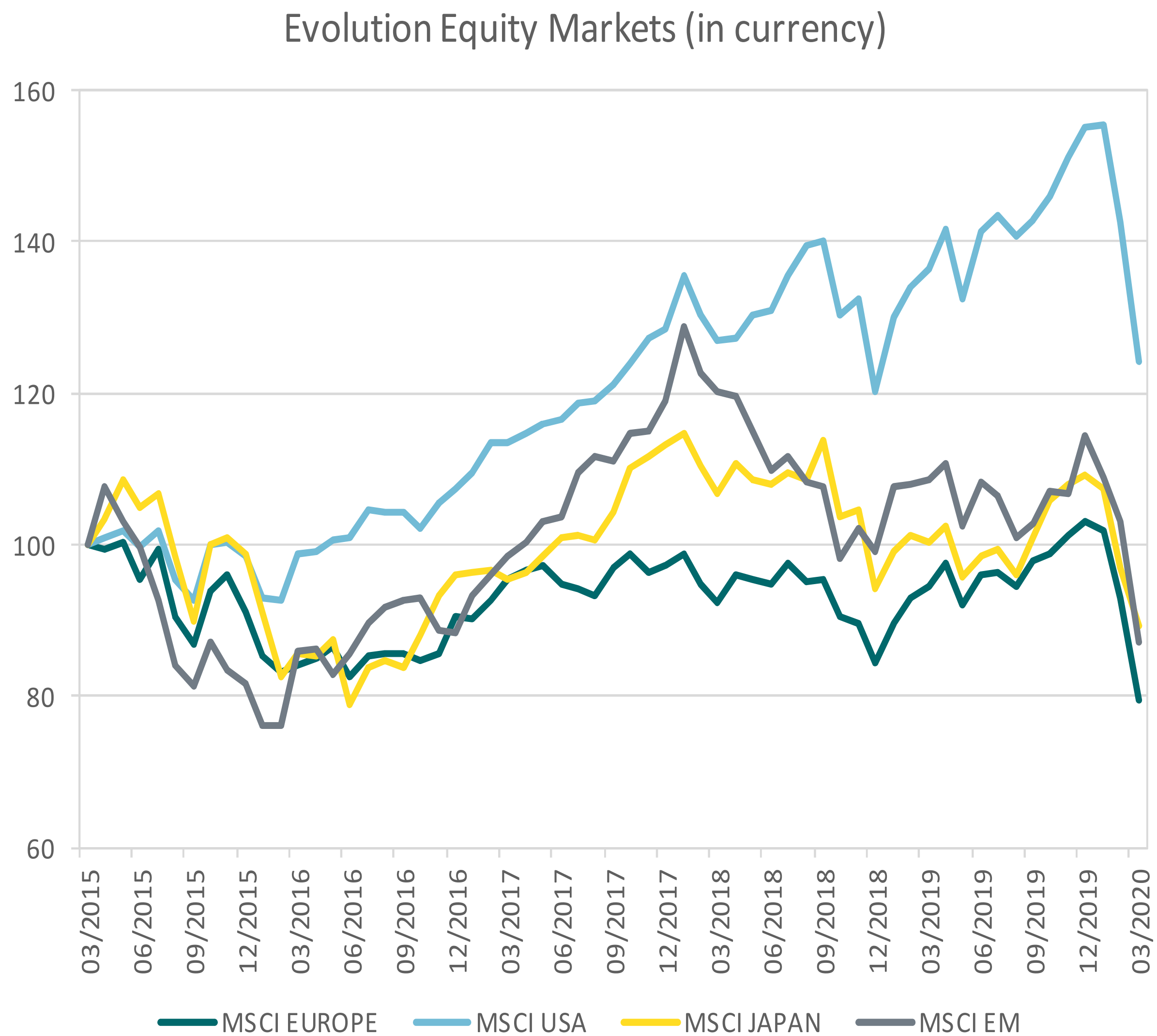
SECTORS (MSCI INDICES)

Performances in EUR	Price	YTD	12m rolling
Auto & Auto Components	109.60	-37.6%	-34.9%
Banks	29.33	-40.2%	-38.2%
Materials	209.11	-25.5%	-21.0%
Chemicals	306.62	-19.3%	-10.0%
Construction Materials	103.80	-32.7%	-21.7%
Financials	42.82	-33.5%	-27.8%
Food Beverage & Tobacco	300.90	-14.8%	-9.6%
Health Care	202.91	-8.0%	5.7%
Industrials	194.54	-28.3%	-16.3%
Insurance	61.70	-28.8%	-20.4%
Media	58.77	-36.0%	-33.7%
Oil Gas & Consumable Fuels	94.28	-34.0%	-38.5%
Household & Personal Products	434.45	-10.1%	-7.6%
Real Estate	116.09	-30.3%	-26.2%
Retailing	99.15	-24.1%	-14.3%
Information Technology	104.78	-16.9%	-2.4%
Telecom Service	43.74	-24.5%	-25.3%
Hotel Restaurantsn & Leisure	95.44	-40.3%	-32.4%
Utilities	110.73	-12.3%	-0.9%

Source: Bloomberg

- Unsurprisingly, sectors will be affected to different degrees.
- Some sectors, like aviation, tourism, retail and hospitality, will see lost demand (once customers choose not to eat at a restaurant, those meals stay uneaten). This demand is largely irrecoverable.
- Other sectors will see delayed demand. In consumer goods, for example, customers may put off discretionary spending because of worry about the pandemic but will eventually purchase such items later, once the fear subsides and confidence returns. These demand shocks—extended for some time in regions that are unable to contain the virus—can mean significantly lower annual growth.

Risk Assets Jolted by the Spread of Coronavirus Outbreak



- EM held up better than DM
- Within EM, China outperformed Brazil and India.
- Within DM, Japan lost the least ground, followed by the US. Europe suffered the biggest losses.

Source: Bloomberg

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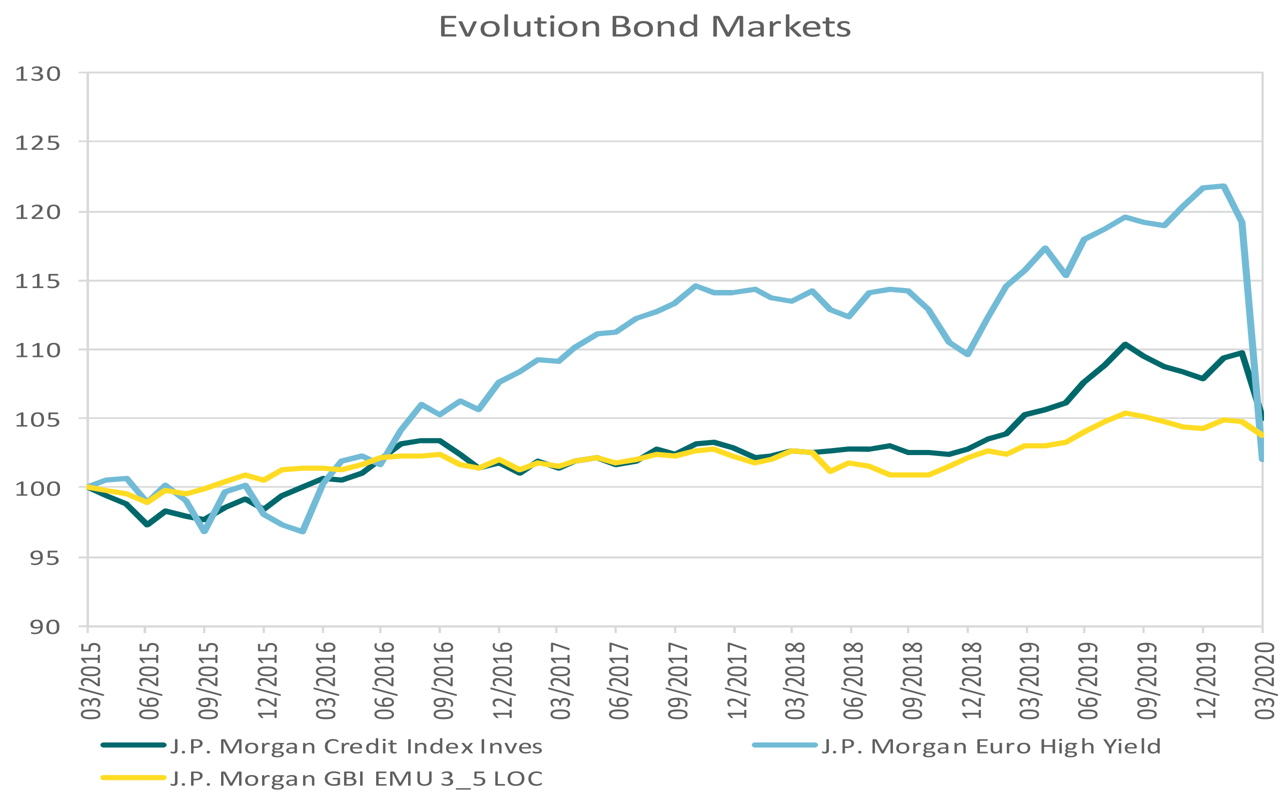
- Bonds have partially held up. Only the highest-quality government bonds recorded small profits, while corporate bonds collapsed.



Source: Bloomberg

- The corporate bond markets could be entering treacherous waters as credit rating cuts are looming. There is a huge number of BBB-rated companies in the investment grade category, especially in the US, which are possibly at risk of losing their investment grade status.

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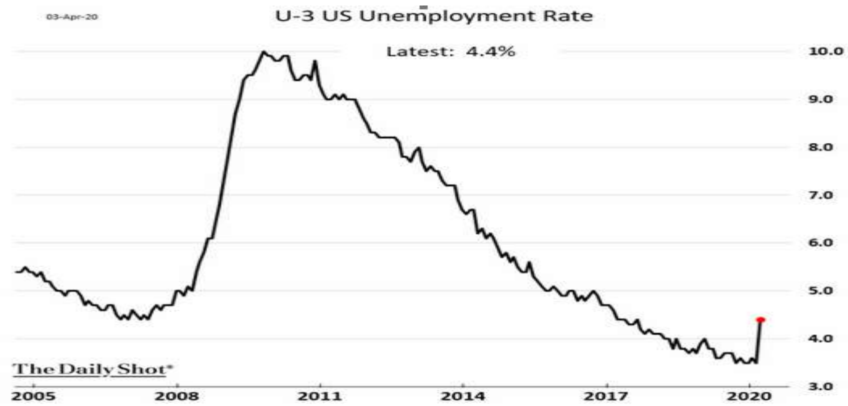

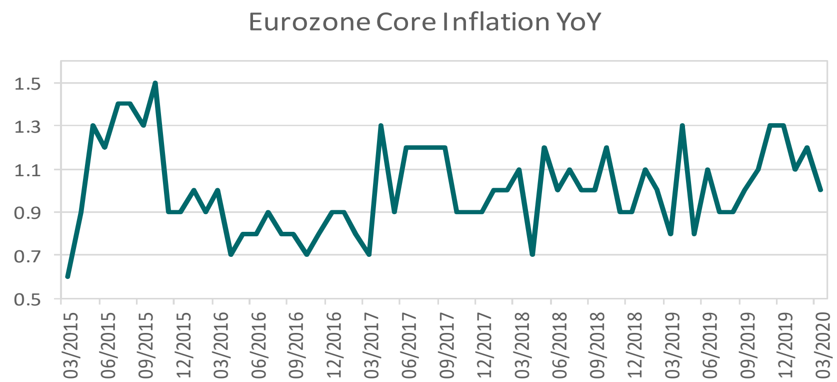

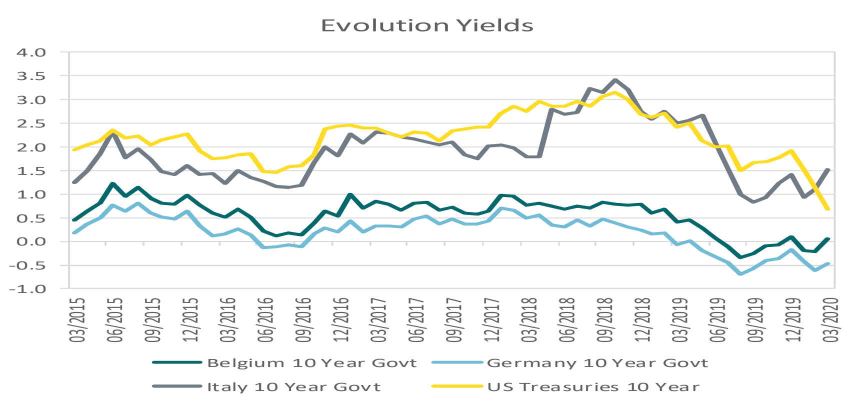

Economic figures are revised almost every week – The central banks are intervening with large resources

- The US lost 701,000 jobs in March, much worse than expected. This is only the beginning and it will increase. Unemployment rose to 4.4% from 3.5% in February, while wages have risen by 0.4%.
- Weakness in consumer spending in late March will broaden in April. Consumption can decrease with 40% QoQ SAAR. The sharp rise in unemployment insurance claims will add to the strain. This will be amplified by a decline in business investment as companies shut their doors.
- COVID-19 poses unprecedented challenges for the European economy and European markets, as most countries are in lock down to contain the virus from spreading. The European authorities have introduced a number of policy measures and are considering more to support the economy and reassure markets.
- EU fiscal rules have been suspended for this year and the ECB has stepped in with its Pandemic Emergency Purchase Programme (PEPP) to absorb – at least partially – the additional debt generated this year due to the outbreak
- The PBoC continues to intervene while the government plans to cut fees on a large scale to stimulate private-sector investment, and accelerate new infrastructure development. China largely returns to work, but faces a very bad external-demand environment as other economies experience a longer version of China's one-month shutdown.
- The Bank of Japan (BoJ) extended its quantitative easing (QE) program by increasing its ETF purchase target limit to JPY12tn annualized from JPY6tn previously. In addition, it also raised purchase limits for J-REITs, CP and corporate bonds. The government will increase government bond issuance by USD149bn from July to fund the fiscal stimulus package.

Source: Bloomberg

Scenario's Eurozone, US and China

V-shape		**Probability**		**20%**						
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	2020	2021
Eurozone	-1.6	-15.0	4.0	2.8	1.6	1.2	1.2	1.0	-2.5	0.8
US	-0.5	-18.0	9.0	4.1	2.0	1.8	1.8	1.6	-1.7	1.7
China	-2.8	0.0	3.2	5.7	6.1	6.1	5.7	5.5	2.3	5.2
World*	-1.6	-10.8	5.5	4.3	3.3	3.1	3.0	2.8	-0.5	2.7

U-shape		**Probability**		**50%**						
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	2020	2021
Eurozone	-1.6	-12.5	-7.0	2.8	4.1	4.5	2.8	2.0	-3.3	1.1
US	-0.5	-14.0	-8.0	3.0	5.1	3.8	2.0	1.6	-3.0	0.9
China	-2.8	-1.2	0.8	4.9	5.3	5.7	5.3	5.3	1.7	4.3
World*	-1.6	-9.1	-4.6	3.6	4.8	4.7	3.4	3.0	-1.4	2.1

L-shape		**Probability**		**30%**						
	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	2020	2021
Eurozone	-1.6	-12.5	-7.0	0.0	1.6	2.0	2.0	1.4	-3.5	-0.7
US	-0.5	-14.0	-8.0	0.5	2.0	2.4	2.4	1.8	-3.1	-0.6
China	-2.8	-1.2	0.8	2.4	4.9	5.7	5.3	5.3	1.5	3.8
World*	-1.6	-9.1	-4.6	1.0	2.9	3.4	3.3	2.9	-1.6	0.9

* Weighted average of Europe (30%), US (35%) and China (35%)

PMI COMPOSITE

Source: Bloomberg

	2017										2018												2019												2020	
	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2
World	53.7	53.6	53.7	53.6	53.5	53.9	53.8	53.9	54.0	54.3	54.5	54.7	53.2	53.8	54.0	54.2	53.7	53.4	52.8	52.9	53.1	52.7	52.1	52.6	52.8	52.1	51.2	51.2	51.6	51.3	51.1	50.8	51.5	51.5	52.2	46.1
Developed	54.2	54.4	54.4	54.5	54.3	54.6	54.6	55.0	54.9	54.8	54.9	55.4	53.6	54.4	54.8	55.0	54.2	54.0	53.3	53.6	53.4	52.7	52.3	52.9	52.7	52.0	51.1	51.3	51.7	51.0	50.7	50.3	50.9	51.2	52.1	49.5
Eurozone	56.8	56.8	56.3	55.7	55.7	56.7	56.0	57.5	58.1	58.8	57.1	55.2	55.1	54.1	54.9	54.3	54.5	54.1	53.1	52.7	51.1	51.0	51.9	51.6	51.5	51.8	52.2	51.5	51.9	50.1	50.6	50.6	50.9	51.3	51.6	29.7
Germany	56.7	57.4	56.4	54.7	55.8	57.7	56.6	57.3	58.9	59.0	57.6	55.1	54.6	53.4	54.8	55.0	55.6	55.0	53.4	52.3	51.6	52.1	52.8	51.4	52.2	52.6	52.6	50.9	51.7	48.5	48.9	49.4	50.2	51.2	50.7	35.0
France	56.6	56.9	56.6	55.6	55.2	57.1	57.4	60.3	59.6	59.6	57.3	56.3	56.9	54.2	55.0	54.4	54.9	54.0	54.1	54.2	48.7	48.2	50.4	48.9	50.1	51.2	52.7	51.9	52.9	50.8	52.6	52.1	52.0	51.1	52.0	28.9
Italy	56.8	55.2	54.5	56.2	55.8	54.3	53.9	56.0	56.5	59.0	56.0	53.5	52.9	52.9	53.9	53.0	51.7	52.4	49.3	49.3	50.0	48.8	49.6	51.5	49.5	49.9	50.1	51.0	50.3	50.6	50.8	49.6	49.3	50.4	50.7	20.2
Spain	57.3	57.2	57.7	56.7	55.3	56.4	55.1	55.2	55.4	56.7	57.1	55.8	55.4	55.9	54.8	52.7	53.0	52.5	53.7	53.9	53.4	54.5	53.5	55.4	52.9	52.1	52.1	51.7	52.6	51.7	51.2	51.9	52.7	51.5	51.8	26.7
UK	56.3	54.3	53.9	54.2	53.9	54.0	55.9	54.9	54.8	53.4	54.5	52.4	53.2	54.4	55.1	53.5	54.2	54.1	52.1	50.8	51.4	50.3	51.5	50.0	50.9	50.9	49.7	50.7	50.2	49.3	50.0	49.3	49.3	53.3	53.0	36.0
US	53.0	53.2	53.6	53.9	54.6	55.3	54.8	55.2	54.5	54.1	53.8	55.8	54.2	54.9	56.6	56.2	55.7	54.7	53.9	54.9	54.7	54.4	54.4	55.5	54.6	53.0	50.9	51.5	52.6	50.7	51.0	50.9	52.0	52.7	53.3	49.6
Japan	52.6	53.4	52.9	51.8	51.9	51.7	53.4	52.2	52.2	52.8	52.2	51.3	53.1	51.7	52.1	51.8	52.0	50.7	52.5	52.4	52.0	50.9	50.7	50.4	50.8	50.7	50.8	50.6	51.9	51.5	49.1	49.8	48.6	50.1	47.0	36.2
Emerging	52.5	52.0	52.2	51.4	51.4	52.0	51.9	51.5	51.9	53.0	53.6	53.3	52.3	52.4	52.2	52.4	52.4	51.8	51.6	51.3	52.6	52.5	51.6	51.6	52.8	52.4	51.3	50.9	51.4	51.8	51.8	51.8	52.7	52.2	52.3	39.0
China	51.2	51.5	51.1	51.9	52.4	51.4	51.0	51.6	53.0	53.7	53.3	51.8	52.3	52.3	53.0	52.3	52.0	52.1	50.5	51.9	52.2	50.9	50.7	52.9	52.7	51.5	50.6	50.9	51.6	51.9	52.0	53.2	52.6	51.9	27.5	46.7
India	52.3	51.3	52.5	52.7	46.0	49.0	51.1	51.3	50.3	53.0	52.5	49.7	50.8	51.9	50.4	53.3	54.1	51.9	51.6	53.0	54.5	53.6	53.6	53.8	52.7	51.7	51.7	50.8	53.9	52.6	49.8	49.6	52.7	53.7	56.3	57.6
Russia	55.3	56.0	54.8	53.4	54.2	54.8	53.2	56.3	56.0	54.8	55.2	53.2	54.9	53.4	52.0	51.7	52.1	53.5	55.8	55.0	53.9	53.6	54.1	54.6	53.0	51.5	49.2	50.2	51.5	51.4	53.3	52.9	51.8	52.6	50.9	39.5

- PMI figures are falling sharply. In China, which is one stage further than the other regions, the recovery is remarkably good. This gives hope for the future. The Eurozone composite PMI was revised down from 31.4 to 29.7.

OUTLOOK CURRENCIES

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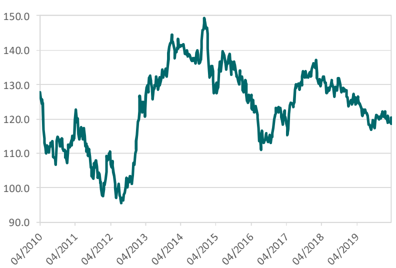
EUR-USD: 6-months projection at $1.12

- The US dollar, with its status as a firm safe haven, so far has been the "winner" in this RORO movement. It's quite possible that Washington will have a problem with US dollar strength. But if we return to a Risk On world this would have a downward effect on the US dollar. The main questions are now how deep and how long the situation will last and what its overall impact will be.
- The dollar is expensive, based on long-term average comparisons and valuation metrics. Moreover, external and fiscal imbalances in the US might not continue to be ignored, putting longer-term pressure on the currency.

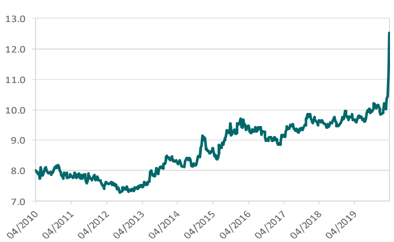
EUR-GBP: 6 months projection at £0.84

- In the last weeks in particular the pound sterling has substantially underperformed major foreign currencies such as the US dollar and the EUR. The pound is ranking as one of the worst performing currencies alongside commodity currencies
- Once the near term uncertainty diminishes, we expect the pound to trend higher. On valuation metrics such as purchasing-power-parity (PPP) and real effective exchange rate (REER), the pound remains a cheap currency versus the US dollar and to a lesser extent the euro



EUR-JPY: 6 months projection at Y115

- Amid the spreading coronavirus outbreak, safe haven assets are experiencing stronger demand, which is particularly true for the yen. As the contagion goes through phases of increase and decline in different regions and countries, and as governments respond with monetary policy or fiscal stimulus measures, we believe currency markets will reflect this evolution.
- Another characteristic of Japan is its steady surplus on the capital account and the repatriation of funds whenever markets go into a correction. This time is no exception



EUR-NOK: 6 months projection at NOK 10

- Norway, a major oil producer, has been hit by the outbreak of COVID-19. This has resulted in empty streets worldwide, a standstill in business and a complete standstill in tourism, which has drastically reduced oil consumption. On top of this comes the impact of the oil war between Saudi Arabia and Russia that arose after the Russians refused to implement additional production restrictions within the OPEC+ cartel. The events had a negative impact not only on the oil price, but also on the Norwegian economy and currency.
- The strong economic fundamentals combined with monetary support and a normalization of the current problems should fuel some recovery.

Source: Bloomberg

GLOBALLY, MOST INTEREST RATES ARE NEGATIVE

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01/04/2020

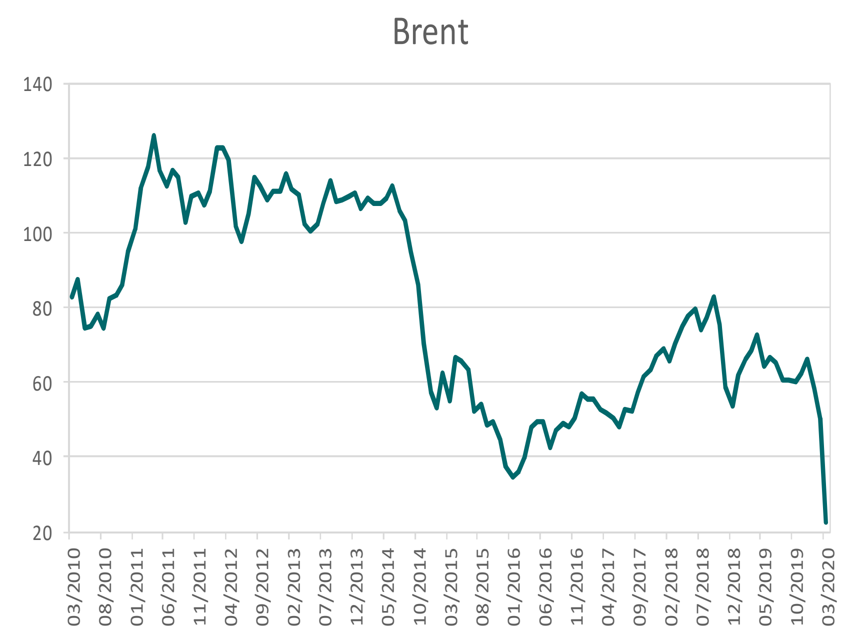
BOND YIELD MATRIX													
	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year	20 Year	30 Year
Switzerland		-0.74	-0.72	-0.71	-0.67	-0.64	-0.60	-0.54	-0.51	-0.44	-0.42	-0.23	-0.25
Germany	-0.71	-0.71	-0.72	-0.73	-0.70	-0.66	-0.66	-0.64	-0.61	-0.56	-0.50	-0.24	-0.04
Japan	-0.25	-0.17	-0.17	-0.18	-0.15	-0.14	-0.16	-0.17	-0.15	-0.08	-0.01	0.28	0.39
Denmark	-0.80	-0.53	-0.60		-0.58	-0.50			-0.40		-0.28	0.01	
Netherlands	-0.59		-0.70	-0.71	-0.66	-0.59	-0.47	-0.41	-0.36	-0.31	-0.26	0.01	0.09
Austria		-0.63	-0.63	-0.48	-0.38	-0.31	-0.22	-0.18	-0.11	-0.08	-0.03	0.21	0.44
France	-0.52	-0.53	-0.62	-0.53	-0.45	-0.36	-0.30	-0.21	-0.18	-0.10	-0.02	0.36	0.75
Finland		-0.63	-0.63	-0.61	-0.52	-0.50	-0.30	-0.27	-0.19	-0.14	-0.08		0.32
Sweden	-0.28		-0.31		-0.46	-0.42	-0.37		-0.31	-0.24	-0.17	0.18	
Belgium	-0.53	-0.51	-0.53	-0.51	-0.40	-0.28	-0.16	-0.10	-0.06	-0.01	0.05	0.49	0.78
Ireland		-0.31	-0.49	-0.37	-0.23	-0.13	-0.07		0.03		0.11	0.53	0.84
Slovakia		-0.54		-0.39		-0.18	-0.03	0.03	0.18	0.20	0.44		0.79
Slovenia	-0.34	-0.39	-0.59	-0.42	-0.32	-0.20	0.05	0.11	0.27	0.31	0.36	1.01	1.18
Bulgaria		-0.70	-0.54	-0.49	-0.39	0.04	0.06	0.00			0.07	1.10	
Spain	-0.32	-0.24	-0.18	0.05	0.09	0.18	0.33	0.47	0.53	0.60	0.68	1.07	1.53
Portugal	-0.31	-0.39	-0.07	0.05	0.15	0.41	0.50	0.57	0.72	0.78	0.87	1.24	1.58
Italy	0.08	0.12	0.38	0.59	0.72	0.95	1.08	1.20	1.32	1.46	1.58	2.30	2.51
United States	0.12	0.12	0.23	0.28		0.34		0.49			0.61	0.98	1.27

- Central banks are forcing investors who are looking for income into the stock market.
- Interest rates will stay low longer

OIL PRICE OUTLOOK USD 55 PER BARREL

- The pressure on the oil market has been relentless, with ICE Brent settling below $30 a barrel for the first time since January 2016. This is due to the fact that the oil market will struggle with a record surplus on the back of falling oil demand of 8 million b/d and an increasing supply of some 3 million b/d in the coming months. This is prompted by the rapid spread of COVID-19 with an immense impact on the global world causing a strong economic downturn. The demand picture continues to deteriorate as more countries implement shutdowns. On top of this, there is also an oil war "ill-timed" by Saudi Arabia. Although the global situation may go in all directions, there is a good chance that demand for oil will fall throughout 2020, the first time in more than 10 years.
- Saudi Arabia is playing hard ball after Russia refused to make additional production cuts at the last OPEC+ meeting. As a countermove, it will increase production to 12 million b/d from April and even 13 million b/d in the period after. In this way, the kingdom wants to take back lost market share from Russia and the United States. The success of US shale oil in particular is a thorn in its side. This action will not be without consequence. US independent shale players will have a hard time to survive with oil prices below $30 a barrel while they need $40 per barrel to cover their costs. As a result, the US oil supply will gradually decrease.
- If the situation remains as it is today, the oil price will remain under pressure and possibly fall even further. But ultimately it will depend on how quickly governments move to contain the coronavirus outbreak, how successful their efforts are, and what lingering impact the global health crisis has on economic activity. And it remains to be seen whether the oil war will last long. Both main players, Saudi Arabia and Russia, despite their determination, are clearly suffering (current account shortfall and fiscal deficit) from the sharp drop in oil prices.
- The hope now lies in a new meeting between OPEC+ and the US to jointly reduce production by 10 million barrels a day. But even then, a surplus of oil, due to the drop in demand of 35 million barrels a day, continues to put pressure on the oil price.

Although we maintain for the moment a target price of $60 under "normal conditions" over the medium term, it does not seem appropriate to take speculative positions in oil today – there are too many uncertainties.



Source: Bloomberg

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INVESTMENT VIEW	SHORT TERM	LONGER TERM
EQUITIES	N+	N
Regions		
USA	N+	+
Europe	−N	−
Japan	N	N+
Emerging markets	N+	+
Sectors		
IT	+	+
Healthcare	+	+
Oil	−N	−
Themes		
Asian Tech	+	+
European Income	+	+
Value	N ↓	+
FIXED INCOME	−	−N
SOVEREIGN	−	N
USA	N	+
Europe	−	−
Norway	+	+
UK	−N	−N
Inflation Linkers	+	+
EMD LOCAL	+	+
China	+	+
CORPORATE	N	N
Investment grade	N	N
High yield	+	N+
FOREIGN EXCHANGE		
EUR/USD	N	N
GBP/USD	+	N
USD/JPY	−N	−
ALTERNATIVES	+	+
Gold	+	+
Market neutral	+	+
Global macro	+	+
CASH	−	−

- Asset allocation: We expect the coronavirus epidemic ultimately to be contained, although it is spreading globally. The damage to the global economy and risk markets is therefore likely to be temporary, after which we expect the reflation of the global economy to resume. We therefore maintain our neutral to mildly positive tactical view on equities and risk markets.

- Equities: Equity markets appear close to trading lows and should recover, provided that the pandemic remains contained. We reduce our stance on Europe to slightly cautious, while raising EM to slightly positive.

- Fixed Income: Risk-reward for bonds remains very unattractive, especially for government bonds, with yields close to all-time lows and often negative. Corporate credit spreads have remained low and are stretched. Positive stance on EUR HY

- Gold: overweight for capital protection – Safe-haven asset.

SECTOR STRATEGY

NEGATIVE	NEUTRAL	POSITIVE
Industrials	Consumer Staples	Healthcare
Energy	Consumer Discretionary	Information Technology
	Utilities	
	Real Estate	
	Financials	
	Communication Services	
	Materials	

NEGATIVE	NEUTRAL	POSITIVE
Materials	Industrials	Healthcare
Energy	Consumer Discretionary	Information Technology
	Utilities	
	Real Estate	
	Financials	
	Consumer Staples	
	Communication Services	

- Preference for the IT (focus on Computer Staples) and healthcare sectors - Challenges for the energy and financial sectors.

CONVICTION CALLS

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EQUITIES

- Asian Technology (long term call): the rise of Asian technology firms seems unstoppable. China is now the global leader in a wide range of tech segments.
- European Income: European income stocks show high quality balance sheets and sustainable dividends for a long time.

FIXED INCOME

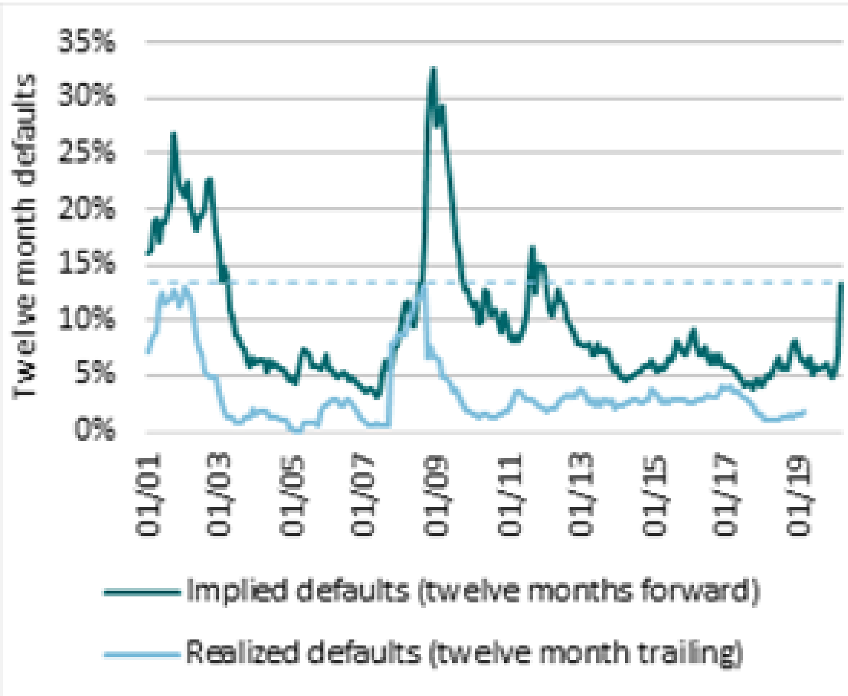
- Chinese Bonds: underinvested market with juicy spread.
- NOK bonds: the Krone remains attractive as a safe haven, with sound underlying fundamentals and positive carry.
- Inflation-linked bonds: in the US, inflation should have some life left in it despite slowing growth, while in Europe wages finally seem to be reacting to tight labour markets, underpinning the ECB hopes for inflationary pressures to build.
- US 7-10Y Treasuries: the back-up in yield has allowed us the opportunity to add both duration and government exposure as a portfolio diversifier.

ALTERNATIVES

- Gold: gold's defensive qualities could come to the fore as market jitters linked to geopolitical hiccoughs could send investors towards safe havens.
- Global Macro: historically a strong performer in equity bear markets.
- Risk Arbitrage: several managers can offer diversification.

CONVICTION CALL - PPOSITIVE STANCE ON EUR HY

EUR high yield credit spreads price a Great Financial Crisis quantum of defaults



Reasons for our positive stance on EUR high-yield credit are:

- The attractive valuation
- The presence of fiscal and monetary support from central authorities
- The positive strides made by European states on containing the spread of Covid-19.
- The EUR high-yield credit spreads are implying a similar level of default to what occurred in the Great Financial Crisis.
- The credit fundamentals are healthier than what is implied by the market
- EUR high yield offers an attractive prospective return at the current risk premium.

- Our analysis of central bank intervention, relative to credit issuance, credit market size, and historic precedent, reaffirms our view that EUR credit markets will be supported over a tactical investment horizon. Through "substitution effects" and due to the "continuum of credit pricing" EUR high yield will benefit even though this asset class is not directly purchased by the ECB. Already we have seen signs of improvement - global high-yield funds last week received their first net inflow from investors, breaking a five-week outflow streak.

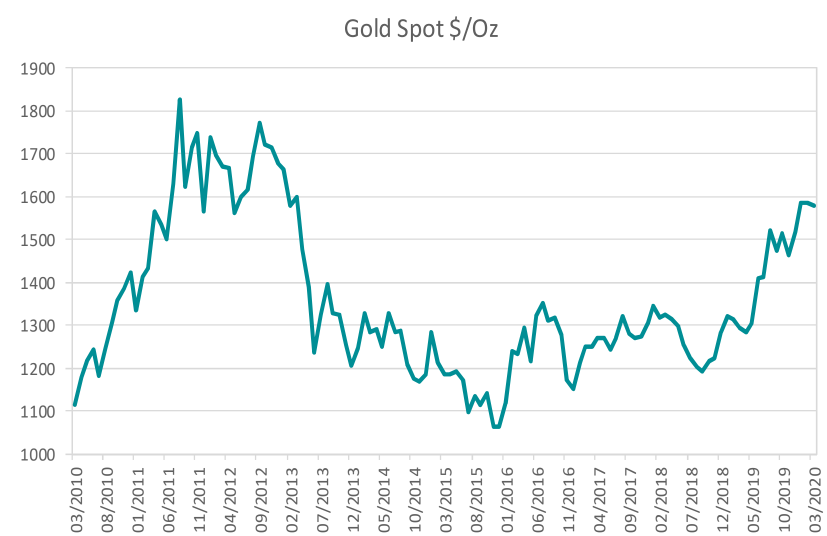
GOLD

- Gold is the safe haven par excellence. However, the past shows that extreme decline in equity volatility puts pressure on gold. For example, during the 2008-2009 financial crisis, as the VIX reached record highs gold prices tanked. But afterwards, as one of the few assets, posted positive returns.

- Gold is more than a store of value; it is a hedge against price instability and a genuine portfolio diversifier because of its low correlation to other financial assets

- Moreover, the uncertain outlook for the global economy and financial markets has improved gold's outlook while low rates and an inverted yield curve have cut the opportunity cost of carrying gold. We argue that the conditions in which gold has performed well in the past are present today, even accepting the recent drop.

- Conclusion: We maintain our bullish outlook on gold, as the larger-than-expected shock to the global economy will likely lead to greater risk aversion. The strength of gold will at that time rather be driven by the ongoing search for yield, increased demand for diversification and greater political and monetary uncertainty. As we believe that gold can again reach the levels of early this year and rise even further, we maintain our 6-month target to US DOLLAR 1,750.



Source: Bloomberg

INTERESTING SLIDES

From an economic slowdown to a recession

Fiscal plans from Governments

Central Banks to the rescue

SERIOUS THREAT

- Coronavirus is already the most serious threat to the U.S. economy since the financial crisis, and the dominoes are aligned for a severe recession that could erase much of the 11-year recovery

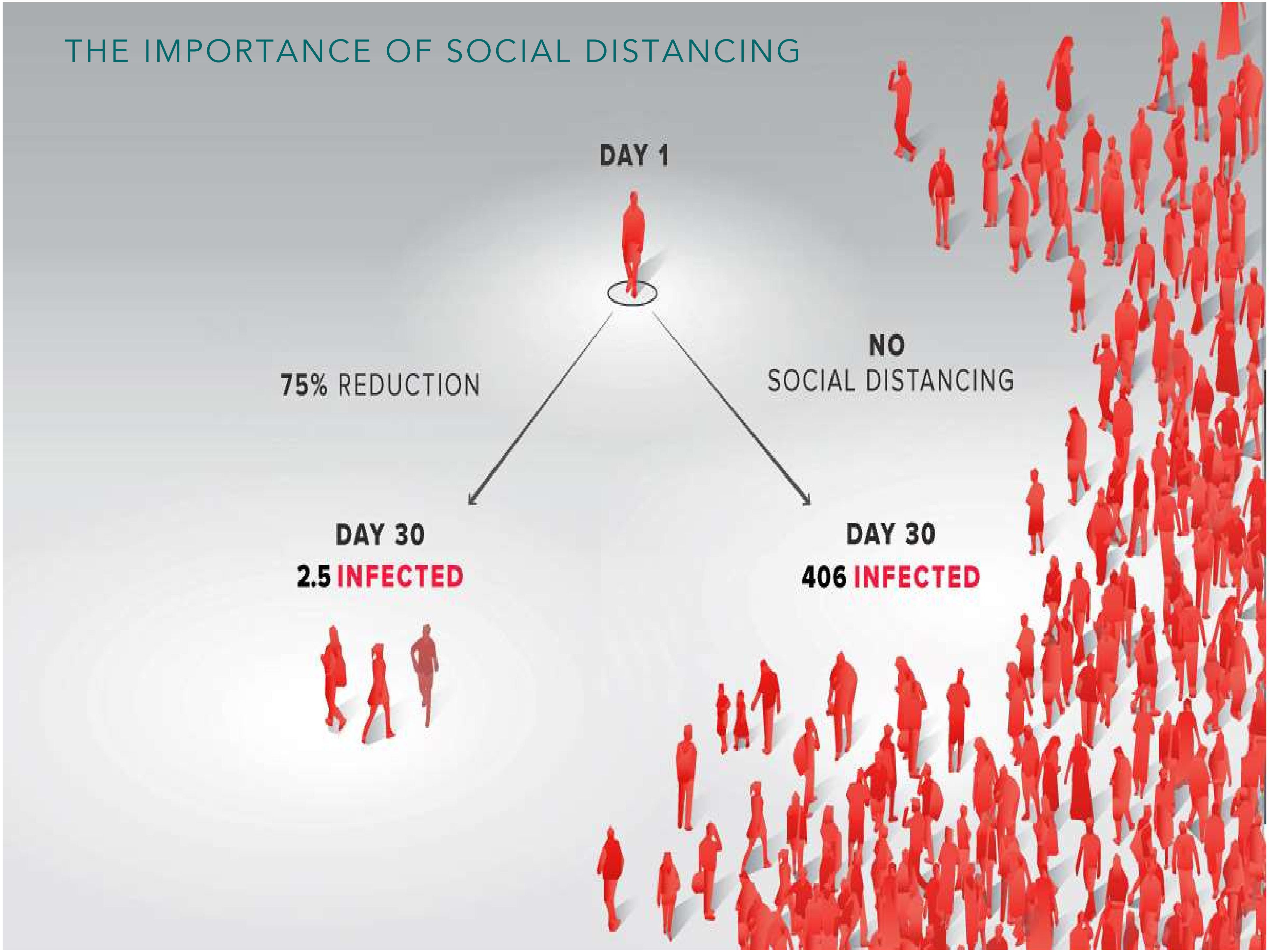
- Consumer spending has held up the economy for the last year, even as the U.S.-China trade war gutted the manufacturing industry and businesses broadly cut back on investments

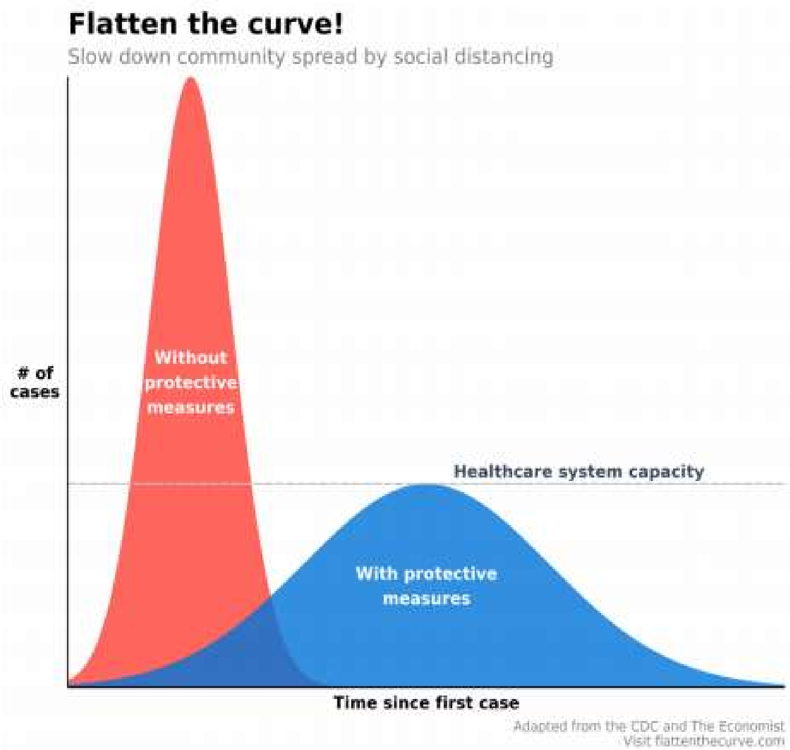
- Many companies chose to hoard their tax-cut savings in cash, or use it to buy back their own stock.

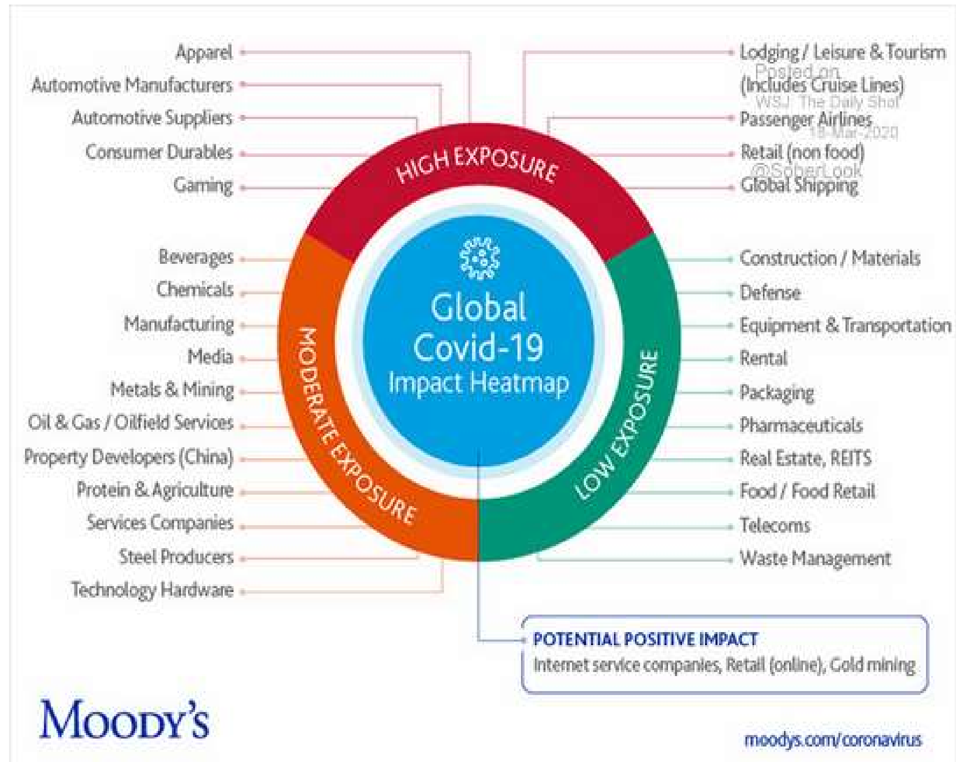
- At the same time, corporate America is more heavily indebted than ever before, due to years of record-low interest rates and increased borrowing.

- Threat level: Government also increasingly looks broken. The dysfunction in Washington is dimming hopes for major fiscal stimulus that economists say would be needed to offset the outbreak's negative impact.

THE IMPORTANCE OF SOCIAL DISTANCING




Flatten the curve!
Slow down community spread by social distancing
# of cases
Without protective measures
Healthcare system capacity
With protective measures
Time since first case
Adapted from the CDC and The Economist
Visit flattenthecurve.com


Apparel
Automotive Manufacturers
Automotive Suppliers
Consumer Durables
Gaming
Lodging / Leisure & Tourism (Includes Cruise Lines)
Passenger Airlines
Retail (non food)
Global Shipping
HIGH EXPOSURE
Global Covid-19 Impact Heatmap
MODERATE EXPOSURE
LOW EXPOSURE
Beverages
Chemicals
Manufacturing
Media
Metals & Mining
Oil & Gas / Oilfield Services
Property Developers (China)
Protein & Agriculture
Services Companies
Steel Producers
Technology Hardware
Construction / Materials
Defense
Equipment & Transportation
Rental
Packaging
Pharmaceuticals
Real Estate, REITS
Food / Food Retail
Telecoms
Waste Management
POTENTIAL POSITIVE IMPACT
Internet service companies, Retail (online), Gold mining
Posted on WSJ The Daily Shot 18-Mar-2020 @SoberLook
MOODY'S
moodys.com/coronavirus

THE WORLD ECONOMY CONTINUES TO STRUGGLE

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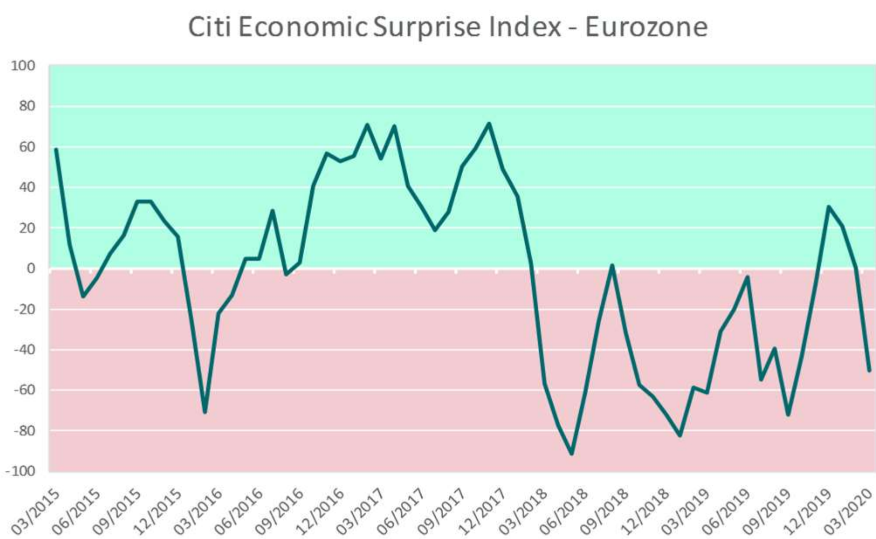
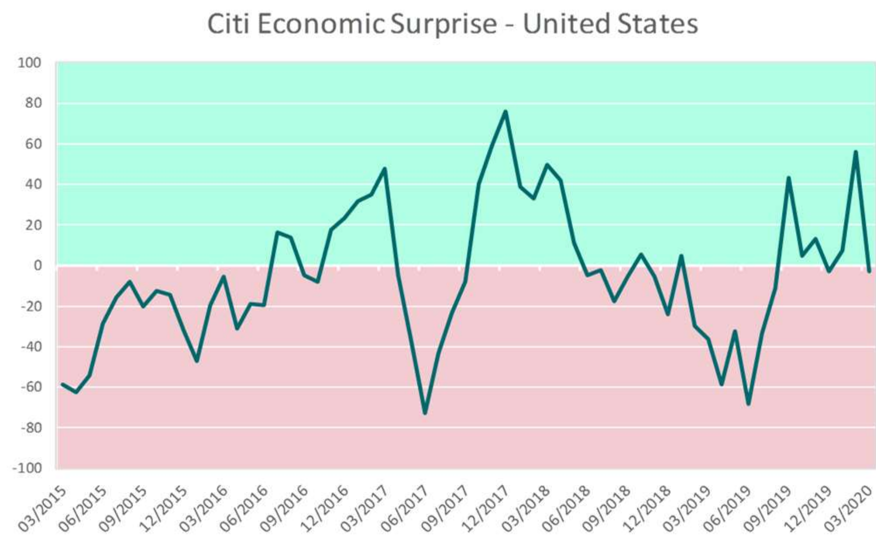
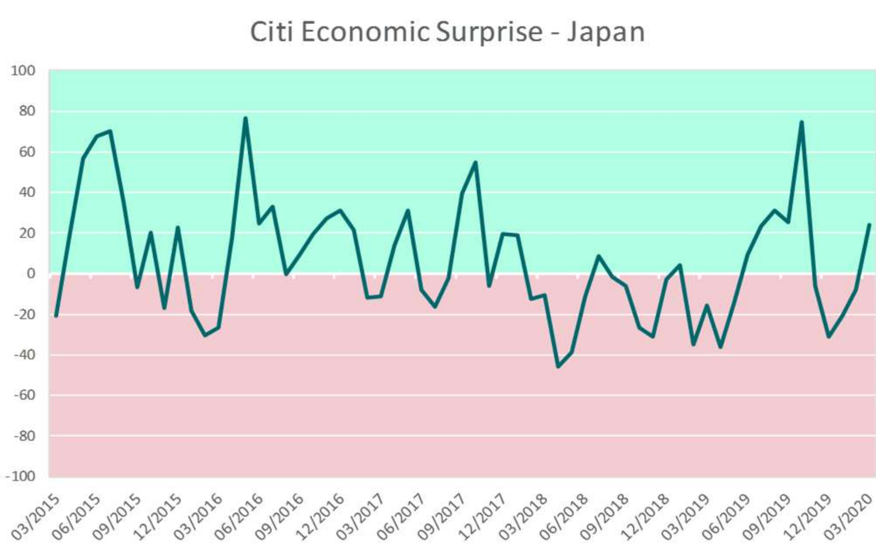
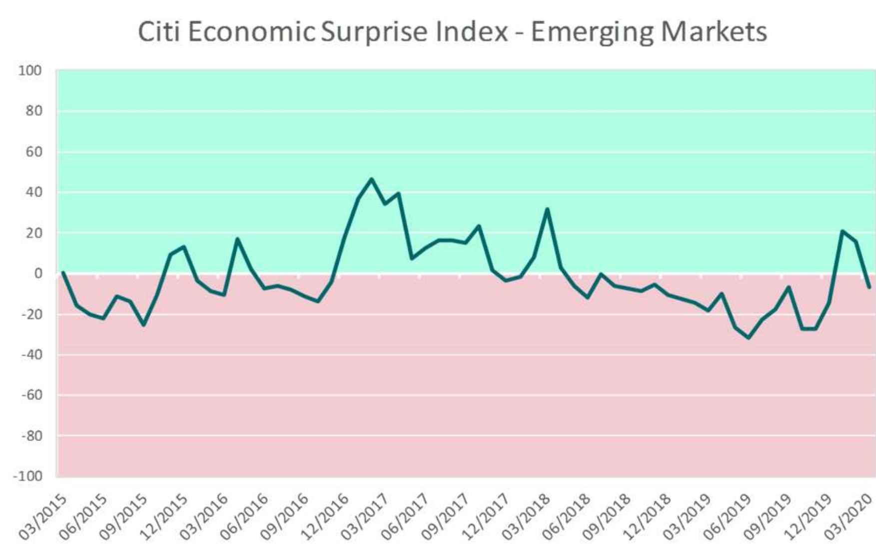






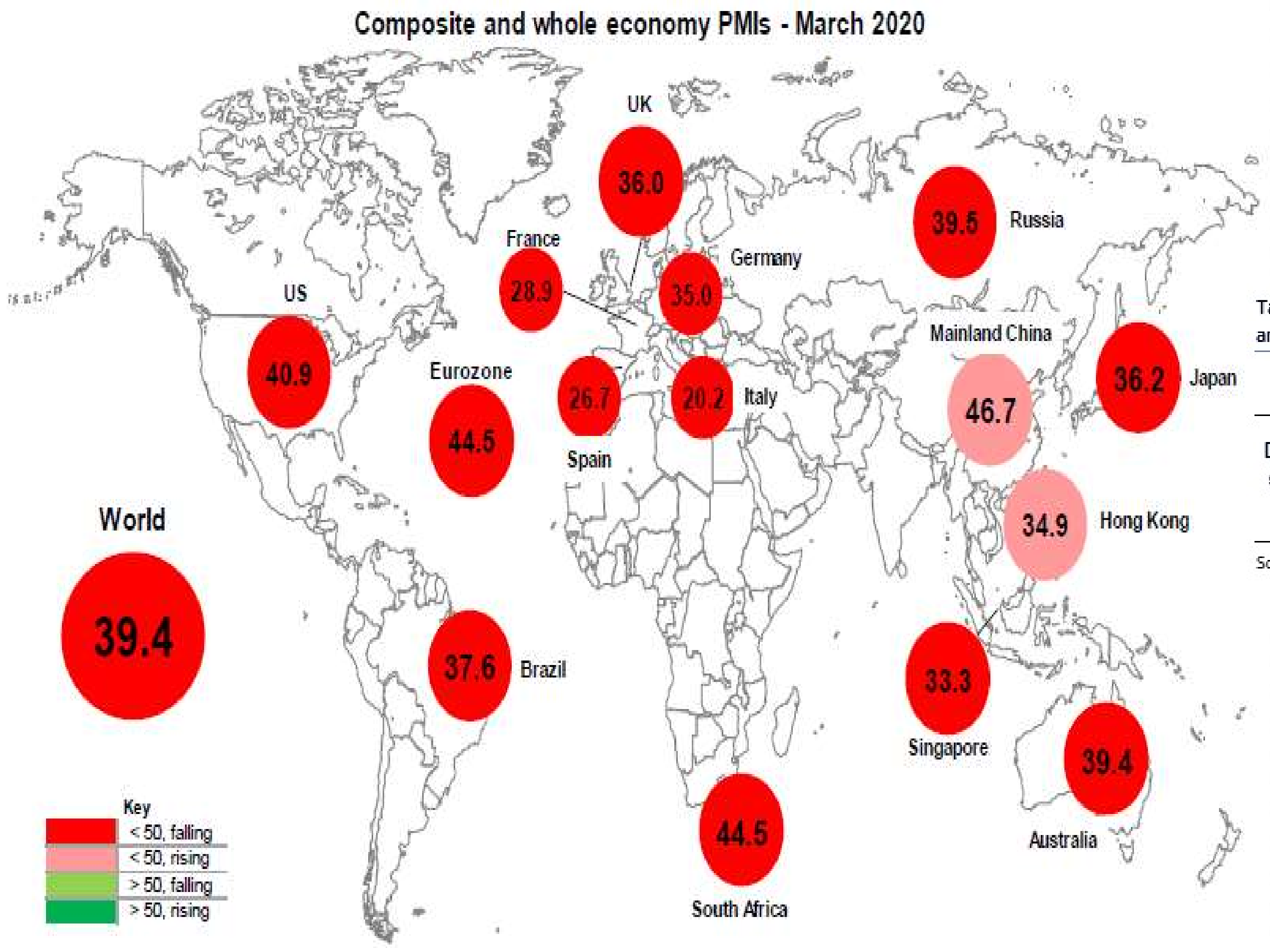


PMI-MANUFACTURING

	2017									2018												2019												2020	
	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3
World	52.6	52.4	52.4	52.6	53.1	53.1	53.3	53.8	54.3	54.2	53.9	53.1	53.3	53.0	52.8	52.6	52.4	52.0	51.9	51.8	51.4	50.7	50.5	50.5	50.4	49.8	49.4	49.3	49.5	49.8	49.8	50.3	50.1	50.4	47.1	47.6
Developed	54.1	54.1	53.9	53.9	54.2	54.6	55.2	55.8	56.2	56.2	55.7	54.8	55.1	54.7	54.4	54.0	53.8	53.6	53.2	52.8	52.3	51.7	50.3	49.9	50.2	49.2	48.9	48.6	48.7	48.6	48.7	49.6	49.1	49.8	49.5	0.0
Eurozone	56.7	57.0	57.4	56.6	57.4	58.1	58.5	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	45.7	45.9	46.9	46.3	47.9	49.2	44.5
Germany	58.2	59.5	59.6	58.1	59.3	60.6	60.6	62.5	63.3	61.1	60.6	58.2	58.1	56.9	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.4	44.3	45.0	43.2	43.5	41.7	42.1	44.1	43.7	45.3	48.0	45.4
France	55.1	53.8	54.8	54.9	55.8	56.1	56.1	57.7	58.8	58.4	55.9	53.7	53.8	54.4	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	50.0	50.6	51.9	49.7	51.1	50.1	50.7	51.7	50.4	51.1	49.8	43.2
Italy	56.2	55.1	55.2	55.1	56.3	56.3	57.8	58.3	57.4	59.0	56.8	55.1	53.5	52.7	53.3	51.5	50.1	50.0	49.2	48.6	49.2	47.8	47.7	47.4	49.1	49.7	48.4	48.5	48.7	47.8	47.7	47.6	46.2	48.9	48.7	40.3
Spain	54.5	55.4	54.7	54.0	52.4	54.3	55.8	56.1	55.8	55.2	56.0	54.8	54.4	53.4	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.1	47.9	48.2	48.8	47.7	46.8	47.5	47.4	48.5	50.4	45.7
UK	57.7	56.5	54.2	55.5	57.0	55.5	56.6	58.2	55.7	55.2	55.3	54.8	53.8	54.3	54.0	53.9	52.9	53.7	51.1	53.3	54.3	52.8	52.1	55.1	53.1	49.4	48.0	48.0	47.4	48.3	49.6	48.9	47.5	50.0	51.7	47.8
US	52.8	52.7	52.0	53.3	52.8	53.1	54.6	53.9	55.1	55.5	55.3	55.6	56.5	56.4	55.4	55.3	54.7	55.6	55.7	55.3	53.8	54.9	53.0	52.4	52.6	50.5	50.6	50.4	50.3	51.1	51.3	52.6	52.4	51.9	50.7	48.5
Japan	52.7	53.1	52.4	52.1	52.2	52.9	52.8	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	48.9	48.4	48.9	48.4	48.8	47.8	44.8
Emerging	50.9	50.5	50.7	50.9	51.7	51.3	51.2	51.5	52.1	51.8	51.9	51.3	51.3	51.1	51.2	51.0	50.8	50.3	50.5	50.7	50.2	49.5	50.6	51.0	50.5	50.4	49.9	50.1	50.4	51.0	51.0	51.1	51.0	51.0	44.6	0.0
China	50.3	49.6	50.4	51.1	51.6	51.0	51.0	50.8	51.5	51.5	51.6	51.0	51.1	51.1	51.0	50.8	50.6	50.0	50.1	50.2	49.7	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3	50.1
India	52.5	51.6	50.9	47.9	51.2	51.2	50.3	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8
Russia	50.8	52.4	50.3	52.7	51.6	51.9	51.1	51.5	52.0	52.1	50.2	50.6	51.3	49.8	49.5	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.8	49.8	48.6	49.3	49.1	46.3	47.2	45.6	47.5	47.9	48.2	47.5

- Manufacturing everywhere deep in the red

Composite PMIs – World at a glance



Source: Markit Economics, HSBC. Note: India's services and composite data are due on 6 April so excluded.

Table 1: What shutting down the economy means for quarterly annualized growth

		% of economy shut down		
		20%	30%	40%
Duration of shutdown (weeks)	2	-11.8%	-17.2%	-22.4%
	4	-22.4%	-32.1%	-40.9%
	6	-32.1%	-44.9%	-55.8%
	8	-40.9%	-55.8%	-67.7%

Source: BofA Global Research

COVID-19 CAUSES RECORD LOSS OF LABOUR

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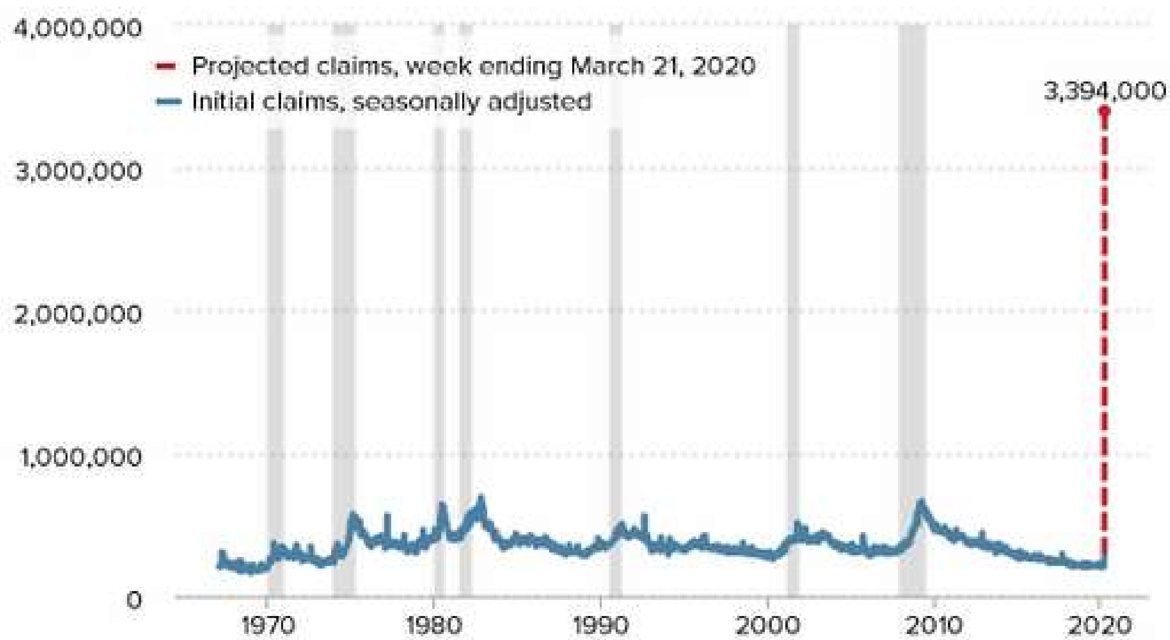
The U.S. is experiencing a record-breaking spike in unemployment

Initial weekly unemployment claims since 1967 and projected claims for the week ending March 21, 2020

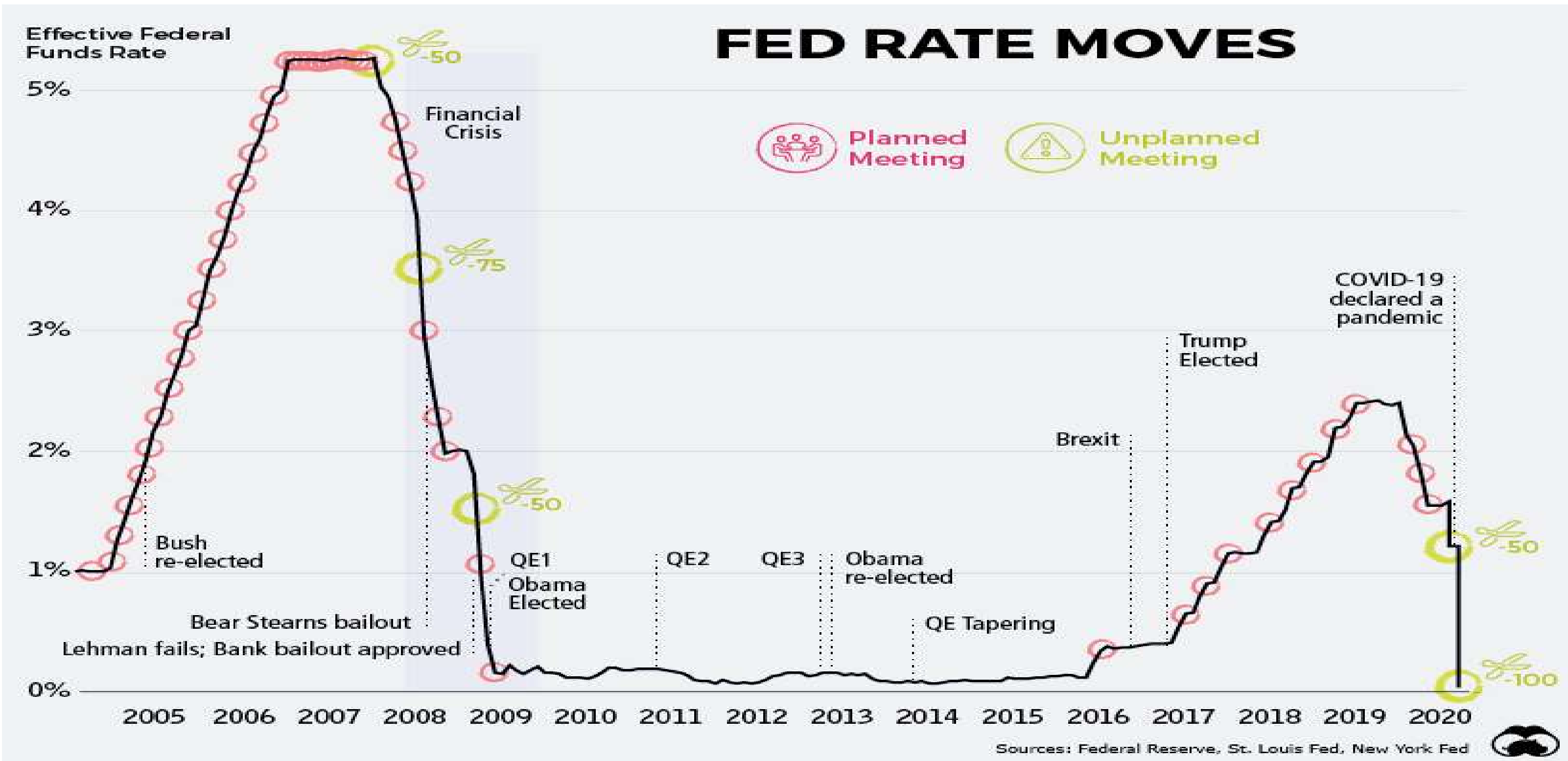


Note: Projection for the week ending March 21, 2020, is based on authors' analysis of news reports from March 15 to March 21, 2020, regarding unemployment claims in 35 states and D.C., extrapolated to all 50 states. Shaded areas denote recessions.

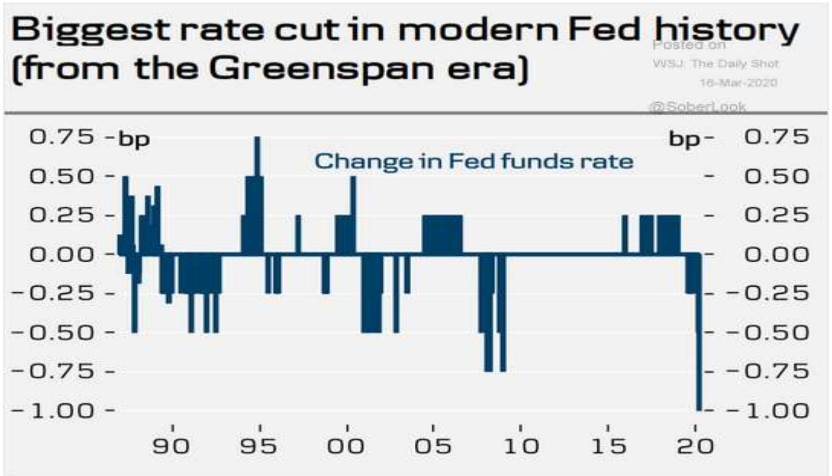
Source: U.S. Employment and Training Administration, Initial Claims [ICSA], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/ICSA, March 23, 2020

Economic Policy Institute

➤ As the ripple effect of the COVID-19 pandemic rages on, central banks have been quick to act in slashing interest rates. However, with rates already sitting at historic lows before the crisis, it is possible that banks may be forced to employ more unconventional and controversial techniques to try and calm the economy as time goes on.

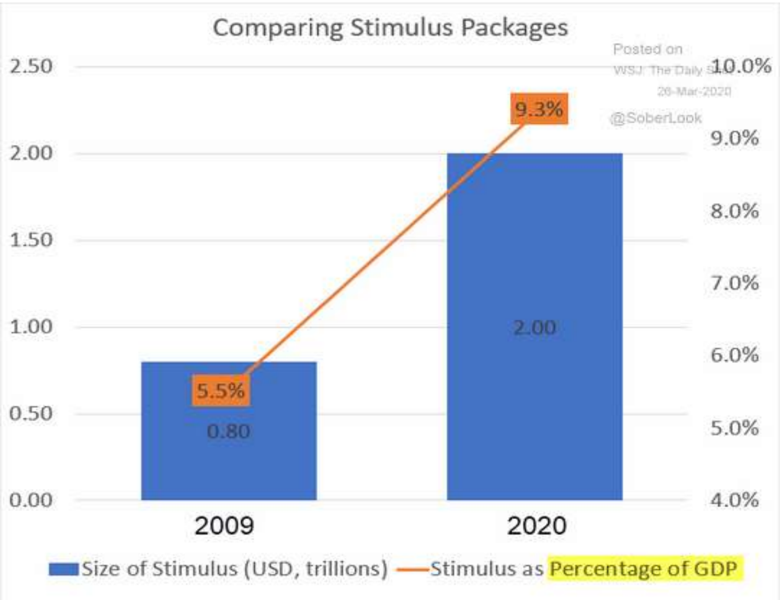


➤ In just the last three weeks, the Fed's balance sheet has mushroomed by roughly $1.5 trillion and is now close to $1.3 trillion above its previous record high.



Note: Past performance is not a reliable indicator of future performance

Source: Federal Reserve, Bloomberg, Macrobond Financial



Source: Refinitiv IFR

- Companies are stopping dividends, which have been the driver of equity returns over the past decade.

Source: Bloomberg

Source: Bloomberg

S&P500 SHARE REPURCHASES WILL FALL BY 50%

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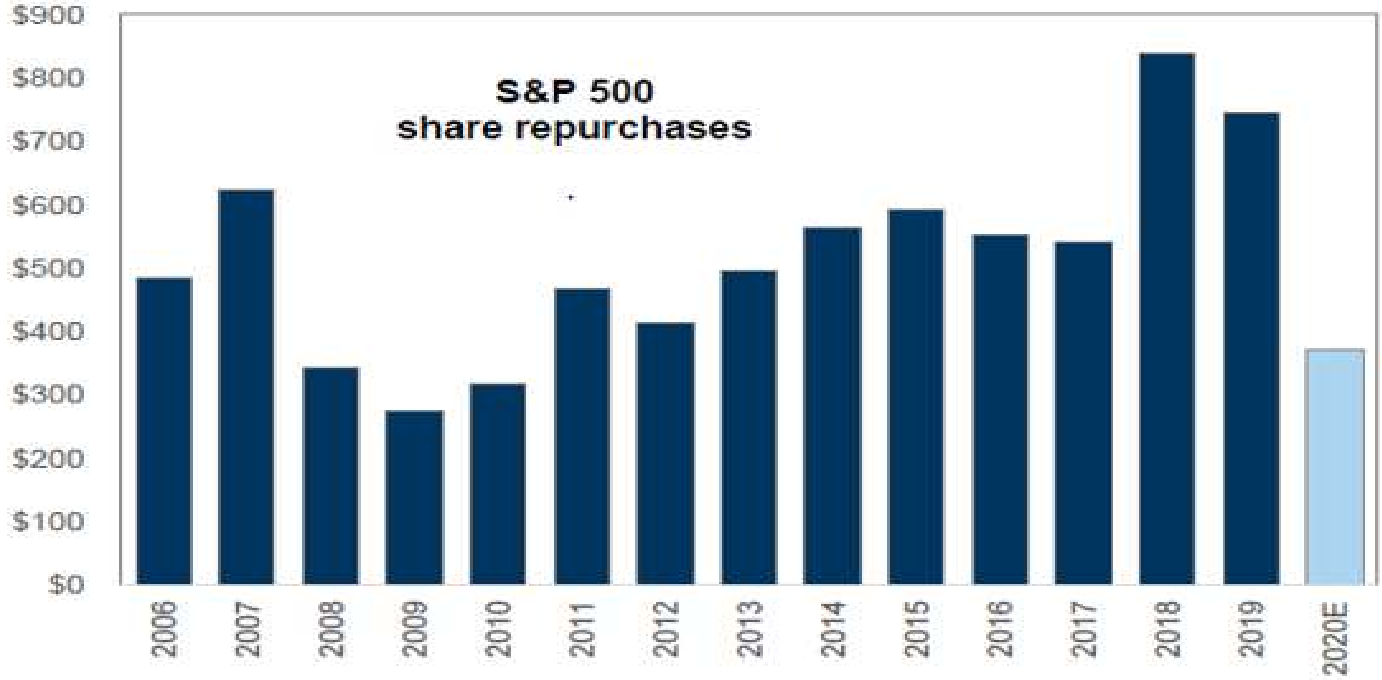
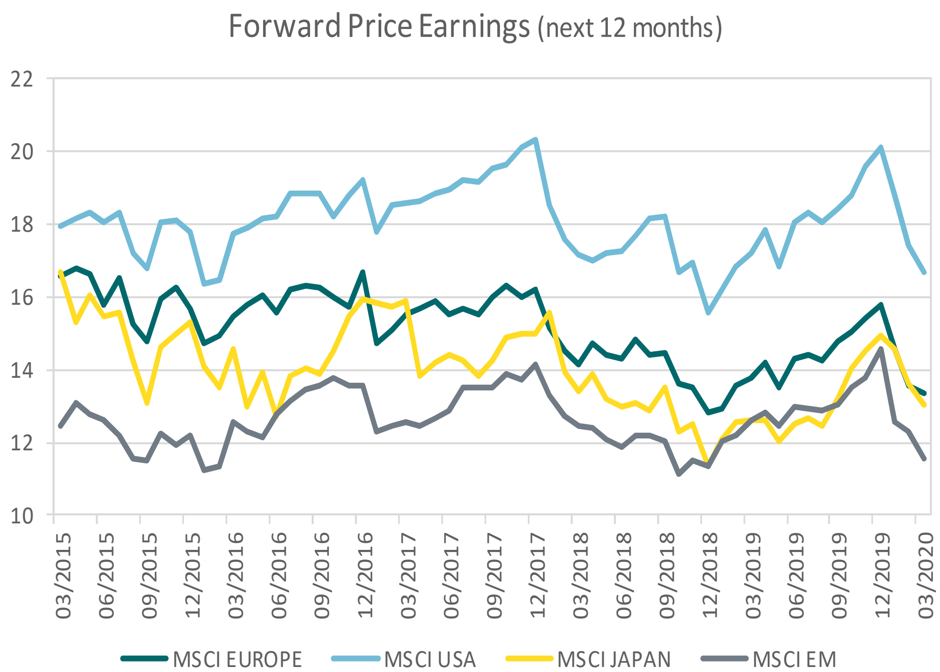
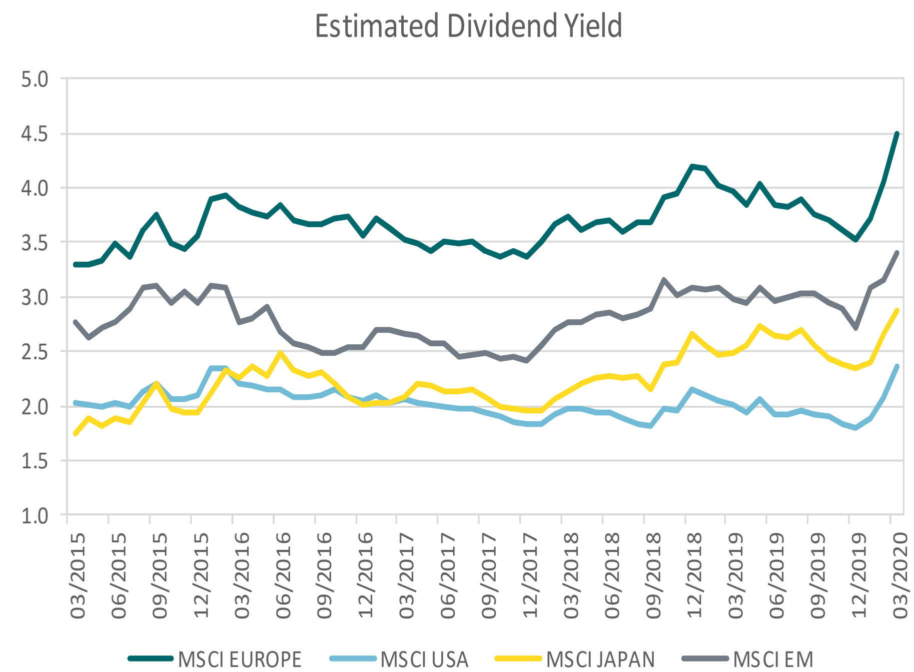


Source: Compustat, Goldman Sachs Global Investment Research

- An important number of S&P 500 constituents have reduced or suspended their dividends during the past month as the COVID-19 economic disruption escalated.
- Reduced demand from the principal buyer of shares during the past decade means wider trading ranges, less downside support, and slower EPS growth.
- Firms prioritizing buybacks have lagged YTD as investors reward firms reducing debt and those with strong balance sheets.





- The current PE ratio for equity markets will rise as a wave of earnings downgrades hit analyst numbers

Earning Momentum:

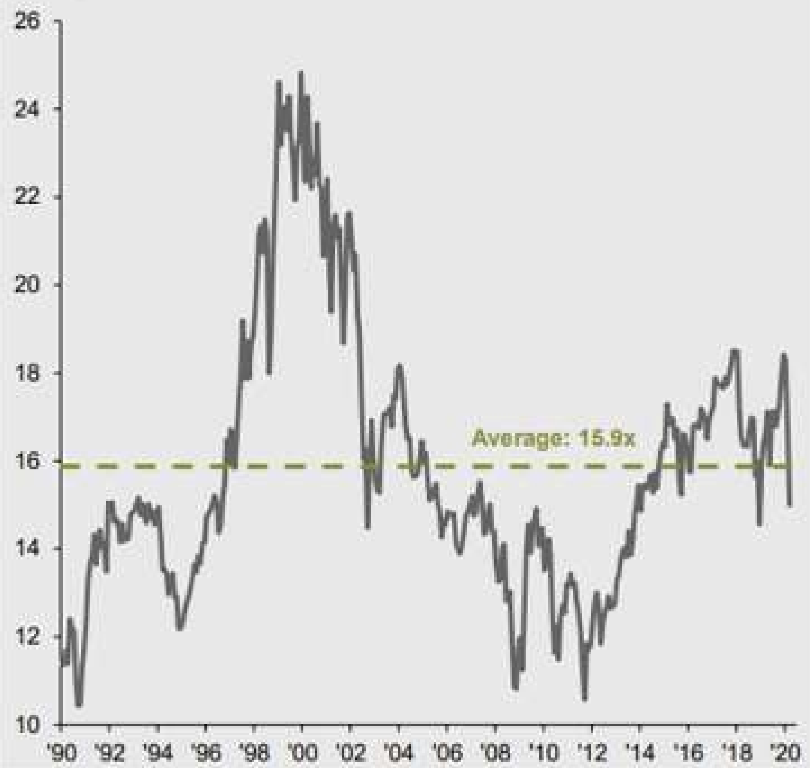
- Dramatically turned negative over the last 3-4 weeks in all regions.
- Many think 2020 will be worse than the Great Financial Crisis where earnings declined by ~30% in 2008 & 2009.
- The point is that consensus is too slow to move!
- Several companies have already thrown in the towel here on returning capital to shareholders.
- 2021 is slightly downgraded but less than 2020 of course, creating nice (convincing?) EPS growth potential for 2021.

EPS GROWTH IS BACK

	S&P 500		Stoxx 600		Nikkei 225		MSCI EM		EuroStoxx 50		FTSE 100	
	EPS	Growth	EPS	Growth	EPS	Growth	EPS	Growth	EPS	Growth	EPS	Growth
2017	131.67		23.88		1,287.49		3.28		233.92		492.16	
2018	159.73	21.31%	25.14	5.28%	1,350.26	4.88%	3.33	1.52%	235.22	0.56%	542.04	10.13%
2019	162.10	1.48%	25.83	2.74%	1,216.57	-9.90%	2.86	-14.11%	236.79	0.67%	523.71	-3.38%
2020	156.97	-3.16%	23.17	-10.30%	1,253.80	3.06%	2.87	0.35%	217.28	-8.24%	440.95	-15.80%
2021	180.26	14.84%	26.87	15.97%	1,408.09	12.31%	3.38	17.77%	252.18	16.06%	519.45	17.80%

S&P 500 forward P/E ratio

x, multiple



S&P 500 forward P/E ratio for different levels of EPS

12m forward EPS % decline	12m forward EPS	S&P 500 index price	P/E ratio
0 (last peak)	177.5	3386	19.1
-3.2 (current)	**171.9**	**2584**	**15.0**
-5	168.6	2584	15.3
-10	159.8	2584	16.2
-15	150.9	2584	17.1
-20	142.0	2584	18.2
-25	133.1	2584	19.4
-30	124.3	2584	20.8
-35	115.4	2584	22.4
-40	106.5	2584	24.3

Source: IBES, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. P/E ratio calculated using IBES earnings estimates for next 12 months. Past performance is not a reliable indicator of current and future results. Data as of 31 March 2020.

J.P.Morgan
Asset Management

MARKET TIMING CAN LEAD TO MISSING OUT ON THE BEST DAYS

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S&P 500 returns by decade excluding the 10 best and 10 worst days

Decade	Price return	Excluding best 10d per decade	Excluding worst 10d per decade	Excluding best/worst 10d per decade
1930	-42%	-79%	39%	-50%
1940	35%	-14%	136%	51%
1950	257%	167%	425%	293%
1960	54%	14%	107%	54%
1970	17%	-20%	59%	8%
1980	227%	108%	572%	328%
1990	316%	186%	526%	330%
2000	-24%	-62%	57%	-21%
2010	190%	95%	351%	203%
Since 1930	**14,962%**	**91%**	**1,689,091%**	**21,323%**

Source: S&P, BofA US Equity & Quant Strategy

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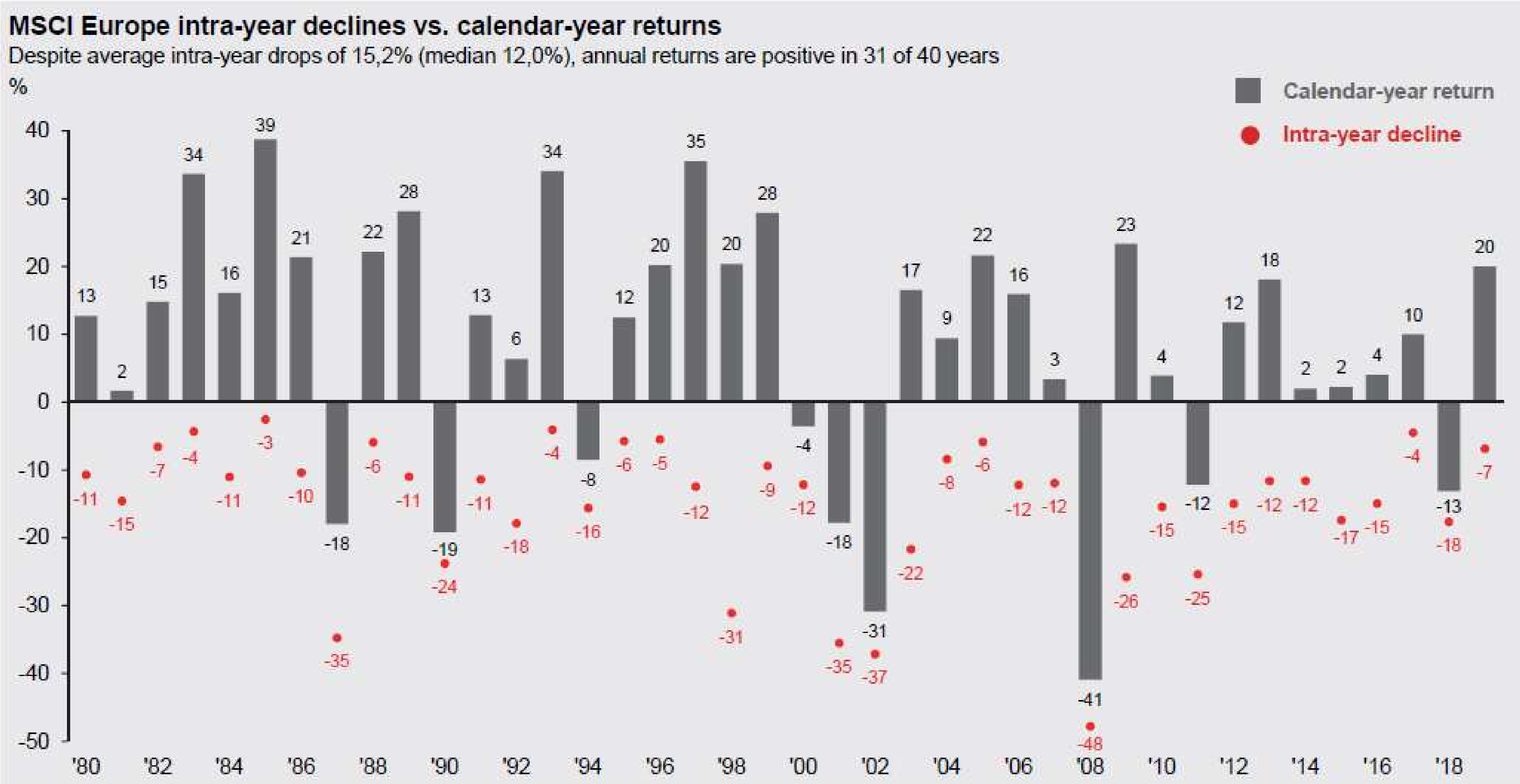
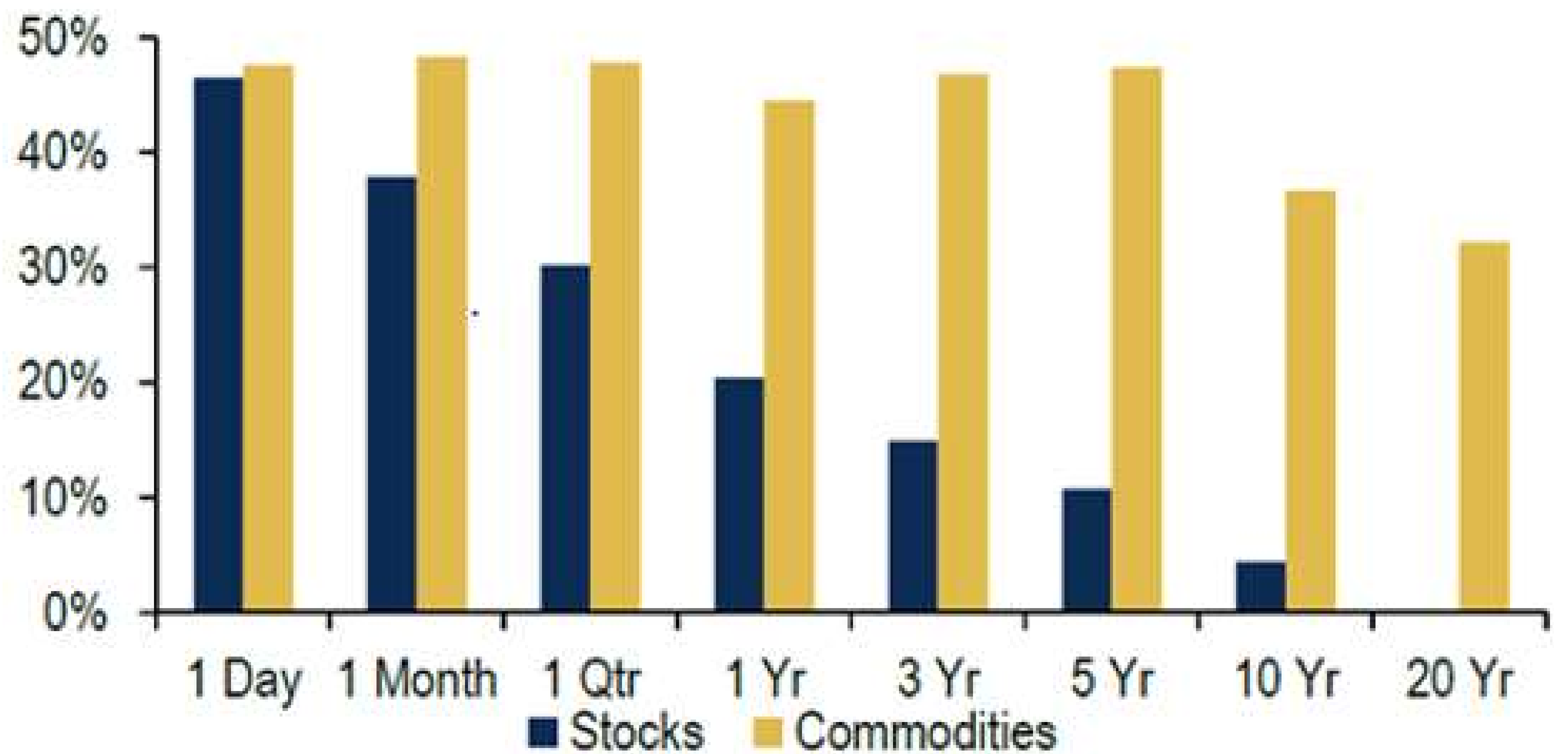


Source: MSCI, Refinitiv Datastream, J.P Morgan Asset Management. Returns are local currency price returns. Intra-year decline refers to the largest market fall from peak to trough within a short time period during the calendar year. Returns shown are calendar years from 1980 to 2019. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe.* Data as of 31 December 2019.

J.P.Morgan
Asset Management

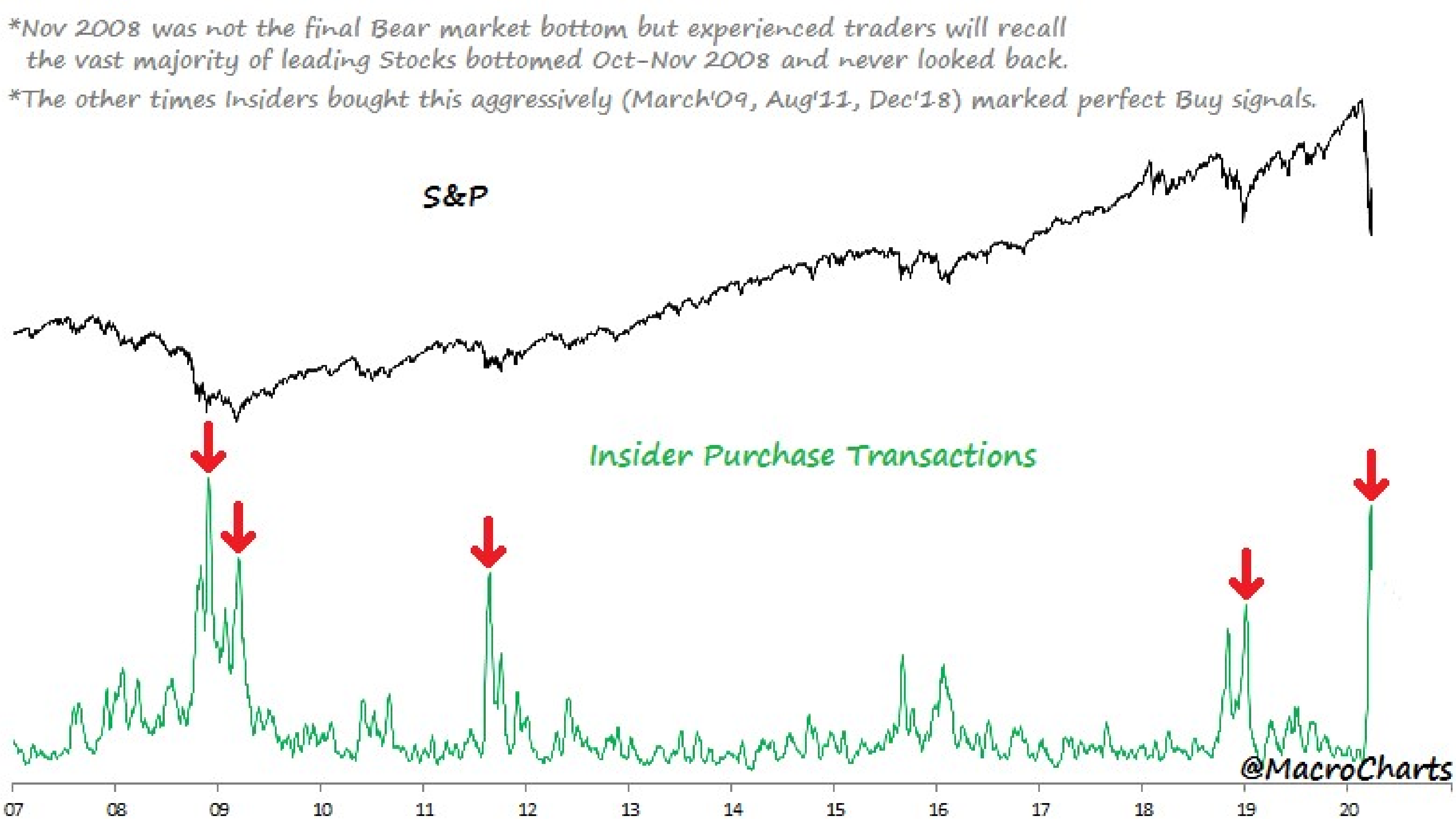
PROBABILITY OF NEGATIVE RETURNS OVER DIFFERENT TIME HORIZONS (1971-PRESENT)

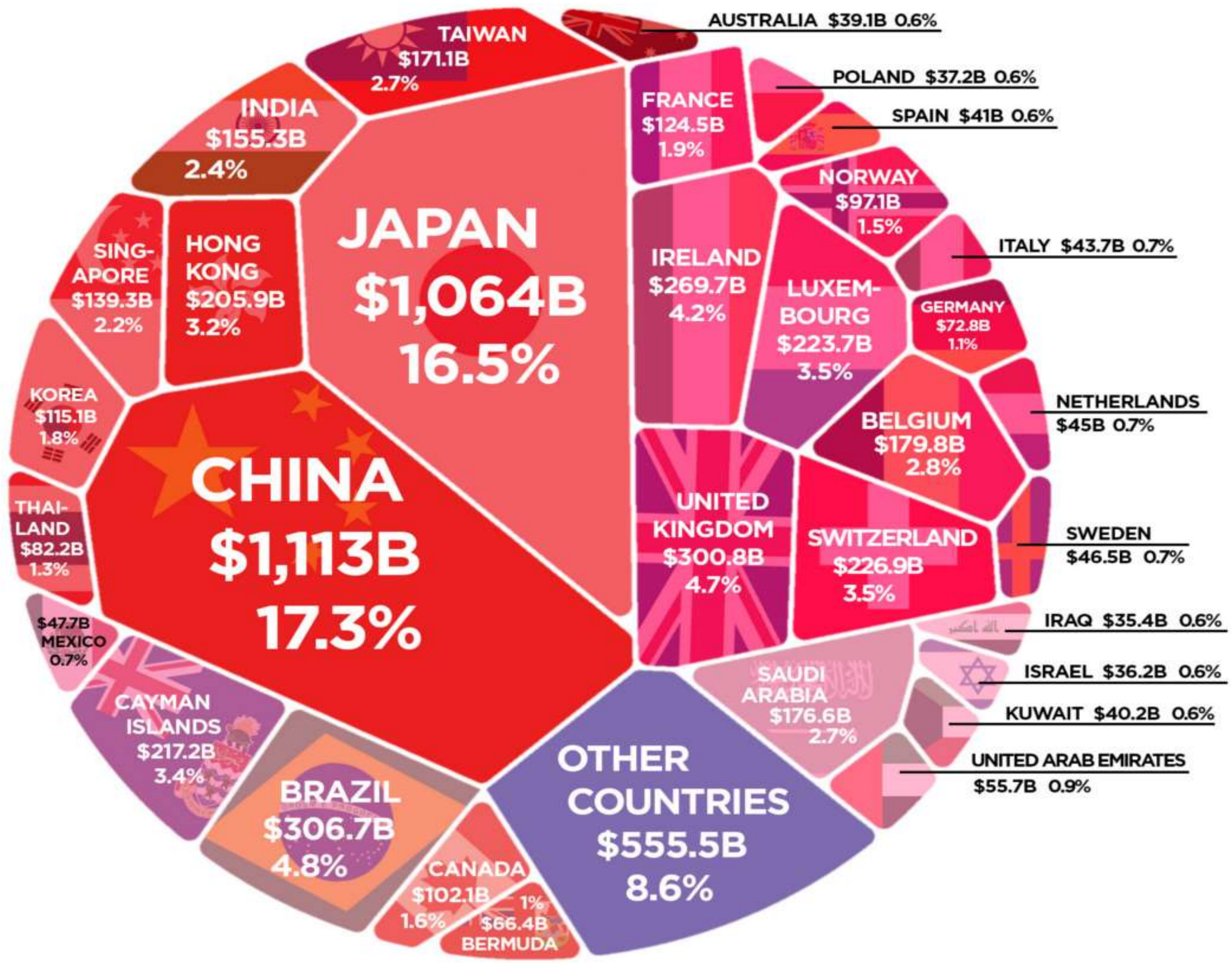


Source: BofA US Equity & Quant Strategy, S&P, CRB

INSIDERS BUY OWN SHARES

Because, according to them, their shares are undervalued

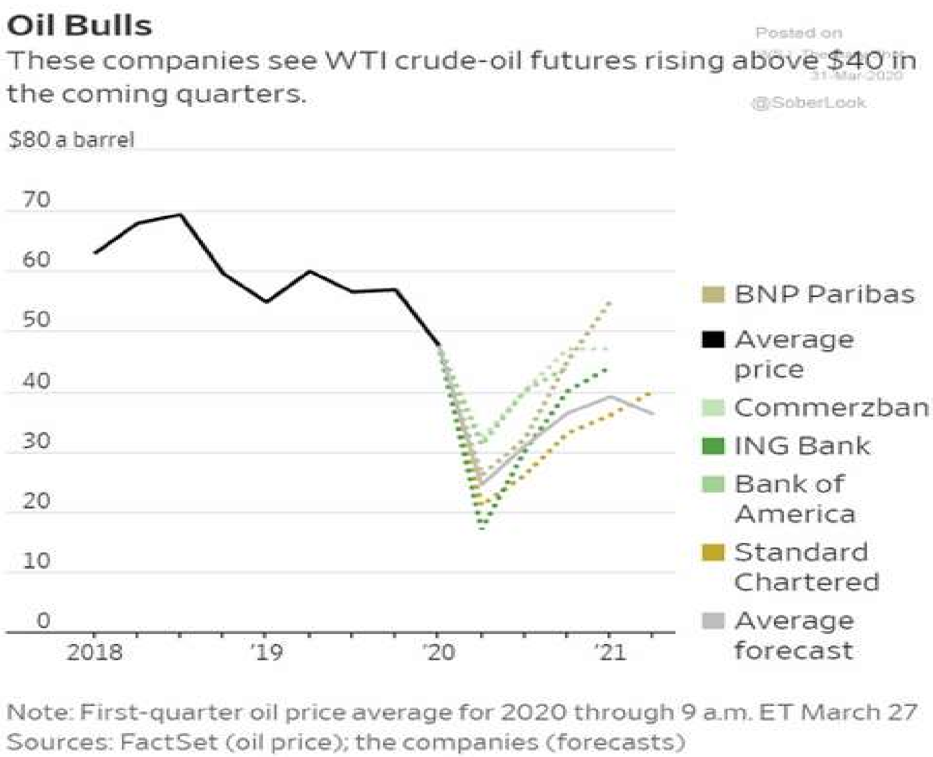


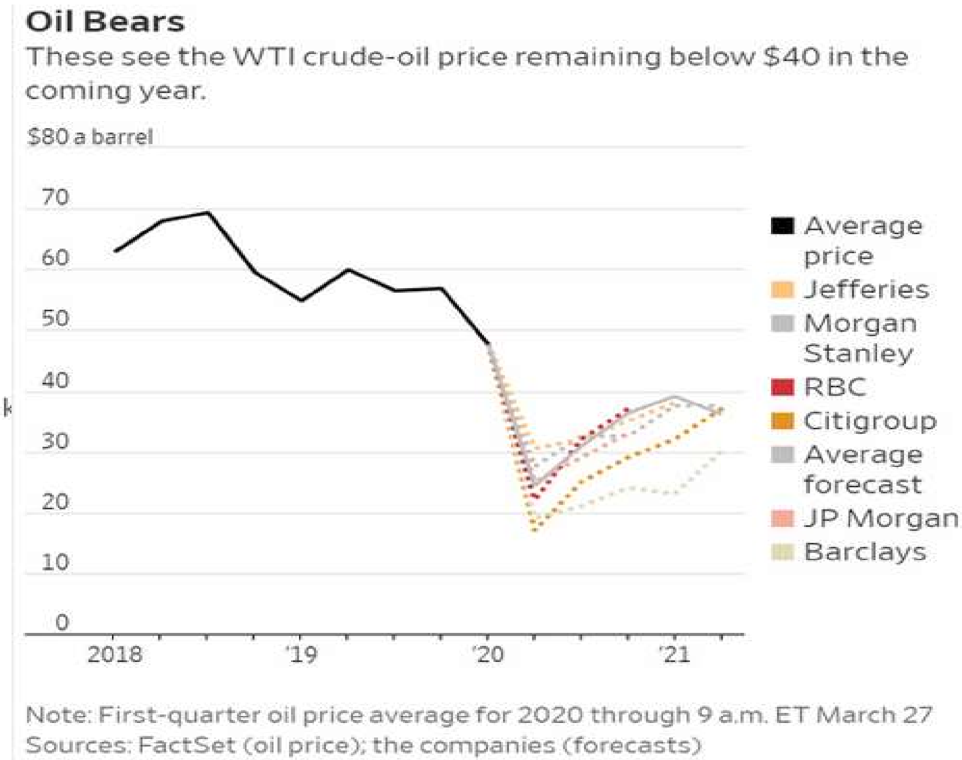


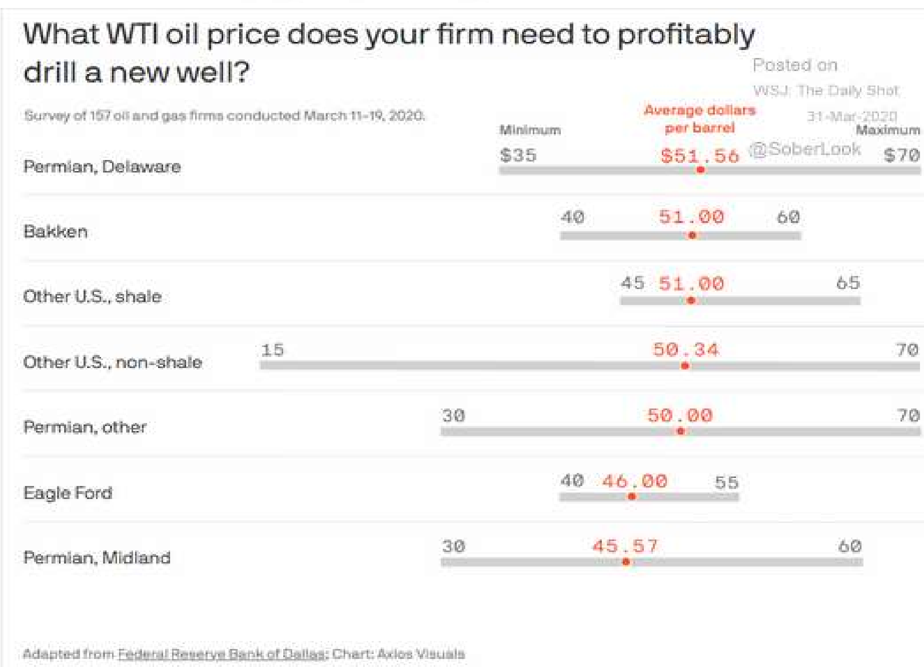
* Major foreign holders of treasury securities holdings at the end of April 2019

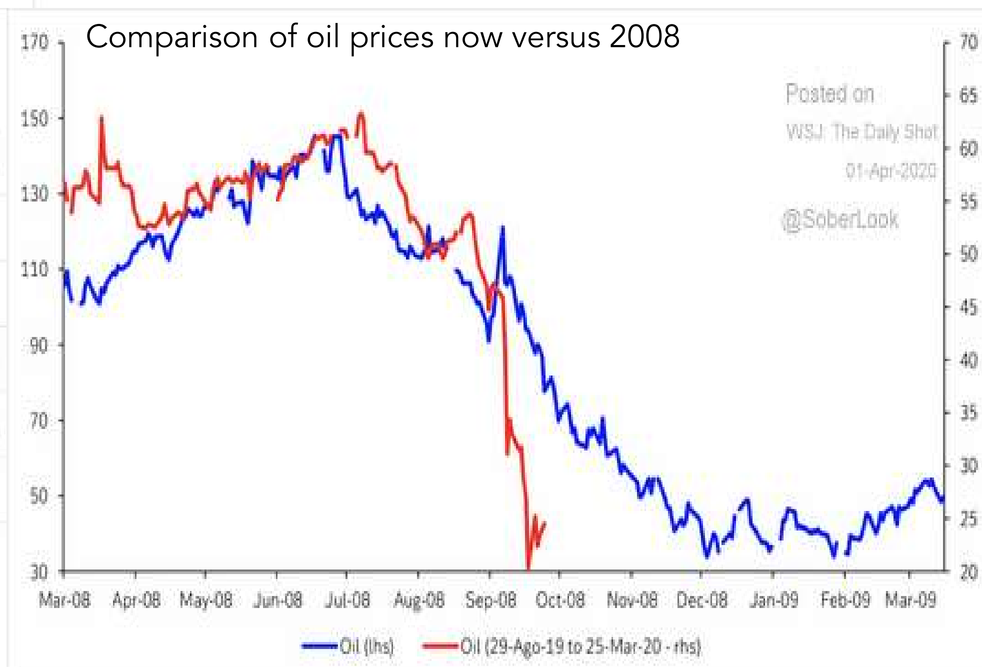
Article and Sources:
https://howmuch.net/articles/foreign-holders-of-usa-debt
U.S. Department of the Treasury - https://home.treasury.gov

howmuch.net


Oil Bulls
These companies see WTI crude-oil futures rising above $40 in the coming quarters.
Posted on
@SoberLook
$80 a barrel
70
60
50
40
30
20
10
0
2018
'19
'20
'21
BNP Paribas
Average price
Commerzbank
ING Bank
Bank of America
Standard Chartered
Average forecast
Note: First-quarter oil price average for 2020 through 9 a.m. ET March 27
Sources: FactSet (oil price); the companies (forecasts)


Oil Bears
These see the WTI crude-oil price remaining below $40 in the coming year.
$80 a barrel
70
60
50
40
30
20
10
0
2018
'19
'20
'21
Average price
Jefferies
Morgan Stanley
RBC
Citigroup
Average forecast
JP Morgan
Barclays
Note: First-quarter oil price average for 2020 through 9 a.m. ET March 27
Sources: FactSet (oil price); the companies (forecasts)


What WTI oil price does your firm need to profitably drill a new well?
Posted on
WSJ: The Daily Shot
31-Mar-2020
@SoberLook
Survey of 157 oil and gas firms conducted March 11-19, 2020.
Minimum
Average dollars per barrel
Maximum
Permian, Delaware
$35
$51.56
$70
Bakken
40
51.00
60
Other U.S., shale
45
51.00
65
Other U.S., non-shale
15
50.34
70
Permian, other
30
50.00
70
Eagle Ford
40
46.00
55
Permian, Midland
30
45.57
60
Adapted from Federal Reserve Bank of Dallas; Chart: Axios Visuals


Comparison of oil prices now versus 2008
Posted on
WSJ: The Daily Shot
01-Apr-2020
@SoberLook
170
150
130
110
90
70
50
30
70
65
60
55
50
45
40
35
30
25
20
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Jan-09
Feb-09
Mar-09
Oil (lhs)
Oil (29-Ago-19 to 25-Mar-20 - rhs)

KEY EVENTS IN 2020

PUILAETCO
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2020

April
07 : RBA - Australia
27-28 : BoJ - Japan
28-29 : FOMC - US
30 : ECB – Eurozone

May
05 : RBA - Australia
07 : BoE – UK
07 : Norges Bank - Norway

June
02 : RBA - Australia
04 : ECB – Eurozone
09-10 : FOMC – US
15-16 : BoJ – Japan
18 : Norges Bank - Norway

July
07 : RBA - Australia
13-16 : Democratic nominees for US president
16: ECB – Eurozone
21-22 : BoJ - Japan
28-29 : FOMC – US

August
04 : RBA – Australia
6 : BoE – UK
20 : Norges Bank - Norway

September
01 : RBA - Australia
09 : Boc - Canada
10 : ECB – Eurozone
15-16 : FOMC – US
16-17 : BoJ – Japan
17 : BoE - UK
24 : Norges Bank – Norway
24 : SNB – Switzeland

October
06 : RBA – Australia
28 : BoC - Canada
28-29 : BoJ - Japan
29 : ECB - Eurozone

November
03 : US Election
03 : RBA - Australia
04-05 : FOMC - US
05 : BoE – UK
05 : Norges Bank - Norway

December
01 : RBA - Australia
09 : BoC - Canada
10 : ECB – Eurozone
15-16 : FOMC – US
17-18 : BoJ – Japan
17 : SNB - Switzerland
17 : Norges Bank - Norway

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Authors: Sofie Verelst & Marc Eeckhout