



MONTHLY BRIEFING OCTOBER 2020

Comments (Portfolios and Mascareignes FM Model)

"A step forward, a step backward", that's a good way to depict how we had to ride September markets : due to a lack of visibility regarding economic, political and sanitary situation, there was a mixed envy of buying and selling at the same time, fostered by half lockups and blurred recoveries.

As a result, we have experienced four weeks of ups and downs, particularly in terms of sectors, which may announce another volatile month ahead; we probably shouldn't expect much of October – apart of **Q3 earnings, which we already believe to be better than expected**, and a possible US fiscal stimulus designed to restore confidence for the American consumer. Such a package would be particularly welcome with current loss of momentum, maybe even loss of general guidance!

However, with so many clouds in the sky (seasonal effect !), **the pressure to agree on a stimulus plan is increasing for both Democrats and Republicans - just the fact that the two sides were talking again those past few days is better than no talks and supportive for stock markets**. Should these negotiations fail once again, in a near future - for campaign reasons - investors can always count on the Fed's "no matter what" monetary policy, especially if the (last?) season of "House of Trump" ends up in chaos, which means a contested election by one or other of the candidates on November 3.

	Perf 2020	Perf 2019	Yield Level
MFM Model 30.09.2020	-3.40%	7.05%	999.65
Monetary 3 months EU			-0.57%
Monetary 3 months CH			-0.81%
Monetary 3 months US			0.10%
Bonds 10 yr Germany			-0.55%
Bonds 10 yr Switzerland			-0.52%
Bonds 10 yr USA			0.65%
EUR USD	4.66%	-2.21%	1.1721
EUR CHF	-0.76%	-3.55%	1.0781
GOLD	24.95%	18.30%	1895.88
OIL (WTI)	-34.00%	34.46%	39.75

	Perf 2020	Perf 2019	Level
MSCI World in \$	1.37%	27.67%	7004.56
Eurostoxx 50	-14.73%	24.78%	3193.61
SMI	-4.05%	25.95%	10187.00
CAC	-19.65%	26.37%	4803.44
DAX	-3.69%	25.48%	12760.73
FTSE	-22.23%	12.10%	5866.10
Dow Jones	-2.20%	22.34%	27911.09
SP500	4.58%	28.88%	3378.69
Nasdaq	25.48%	35.23%	11258.75
MSCI Emerging in \$	-4.12%	15.42%	1068.79
Nikkei	-1.99%	18.20%	23185.12
Shanghai Composite	5.51%	22.30%	3218.05

(Indices Source Bloomberg as at 30.09.20)

MFM/Athénée Mercury Certificate (UE and US Stocks Long Only)	+7,90% (from 27/03/2020 to 30/09/2020)
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In any case, these elections will eventually pass, and obviously faster than the virus ; once this deadline is over we will allocate portfolios more aggressively, prioritizing themes that look promising in the medium term (including: **Green Deal, conquest of space, Egames, recovery stocks**), overweighting European equities : valuations are more attractive than their US peers, they are likely to benefit from a global €750 billion response to the pandemic, which is quite a groundbreaking development compared to the past attitude of the EU members. Finally the weakening dollar factor needs also to be addressed in our allocation.

For the time being, **it is likely that indexes will remain stuck in a narrow range of fluctuations**. Thus we will limit our investments to trading opportunities until end of October.

Hesitation may well prevail through October unless the U.S. Senate and Congress agree on a massive fiscal plan, for individuals and businesses and even municipalities (though nothing is less sure as the "Quality Tweets" Box has been widely reopened)- however, if a new stimulus plan was to be settled, the indexes could well fly much higher, unlike the election campaign !

Indeed, as mentioned in our September Briefing, we should keep in mind that the **S&P500 has been trading below a major resistance area (i.e. 3450/3500)** for almost a month now; as long as this zone is not clearly broken, stocks will evolve according to the pandemic, to political posturing and "food fight" debates, as it did in September :

- during the first fortnight, high tech valuations led to substantial profit-taking, causing the indexes to retreat - but the decline was limited thanks to the rotation on recovery and cyclical stocks,
- though this repositioning didn't last ; the resurgence of Covid19 in Europe and in the United States turned the GAFAMs into market's darlings again – while small and midcaps as well as cyclicals were smashed with gloomy recovery prospects (US personal income down 2.7% in August, slowing hiring, massive furloughs announcements)