

KTS
CAPITAL
MANAGEMENT



COVID - 19 update

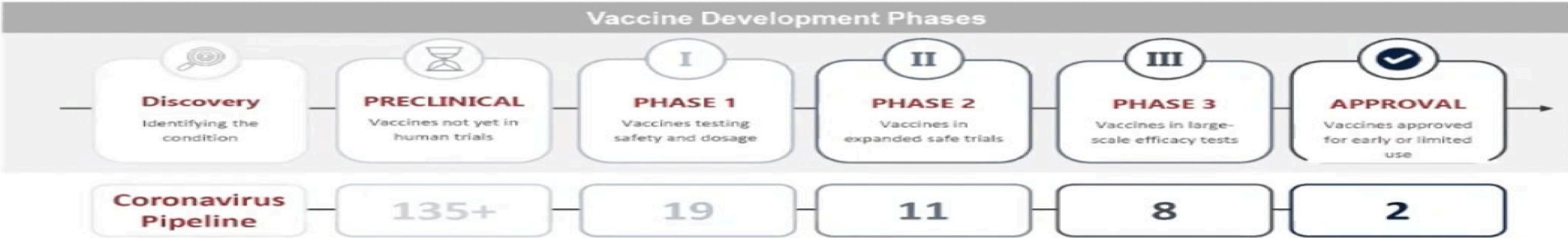
The 28th of September 2020

Covid-19 vaccine trials

- According to Lombard Odier, 8 vaccine candidates are at phase 3 and around the end of October we should have the first results. Historical data show, 80% of candidates have a success outcome, therefore before the end of the year, between 2 to 3 candidates could get the FDA approval.
- In addition during the second wave, fatalities are very low, therefore Lombard does not expect further lockdowns.

Developments: Coronavirus Vaccine

Vaccines likely to come to market in H1 2021



The development of Covid-19 vaccines is being accelerated



11 - Rethink perspectives - The next chapter of the recovery – 22.09.2020

Covid vaccines in trials

Covid-19 vaccine production

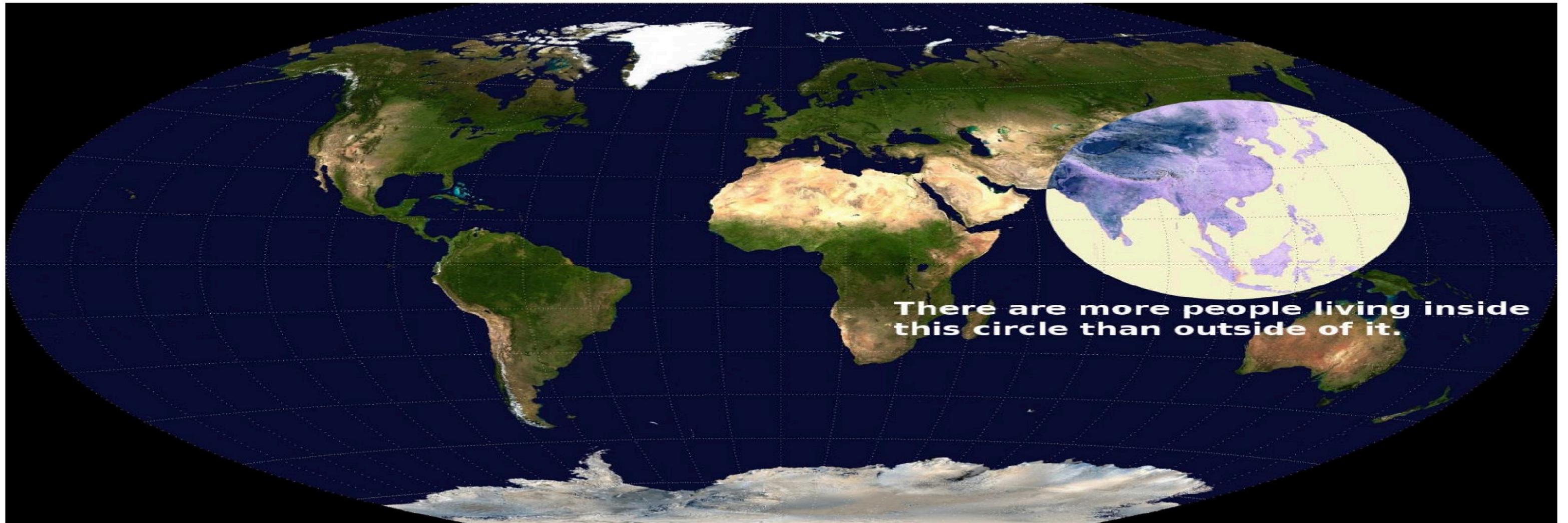
- It looks like, pharmaceutical companies could already produce up to 600 mio doses of covid19 vaccine in Q4 2020 and 9 Bio doses during 2021!

Worldwide Capacity		
Company	2020 Doses (in millions)	2021 Doses (in millions)
Moderna	20	500-1,000
BioNTech/Pfizer	100	1,300
AstraZeneca	400	>2,000
Novavax		>2,000
Sanofi/GSK	100-600	>1,000
Sanofi/TBIO		90-360
JNJ		>1,000
Curevac		405
Inovio		>100
Arcuturus	<10	>100
Kentucky Bioprocessing		50-150
Clover Biopharma		>100
Medicago		100
Sinovac		100
Total	>600	8,800-9,700

Worldwide capacity production of covid19 vaccine (doses)

The Valeriepieris Circle

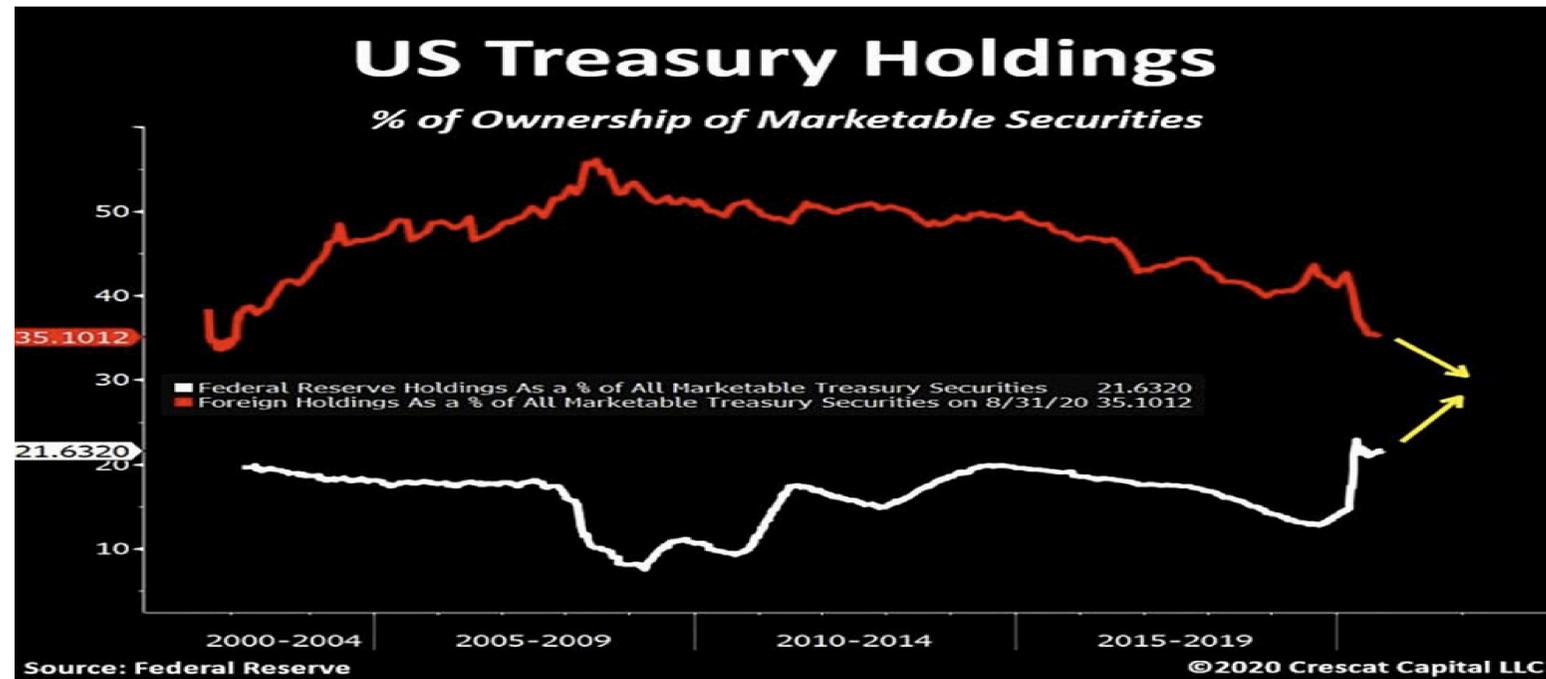
- According to the Manager of the Fund Aubrey Global Emerging Market, in Valeriepieris area is living 40% of the worldwide population, and there is 70% of the worldwide GDP growth!



The Valeriepieris Circle

USD

- As recently explained in our weekly updates, after FED's speech, the investment community knows, interest rates are going to stay lower for very long, but the inflation is going to increase. In addition the US fiscal deficit is going to widen massively.
- Normally higher inflation and account deficit have to be compensated by higher interest rates, if it is not the case, then a currency need to be devaluated. Based on PPP, the USD is overvalued against most or currencies, asides CHF.
- Therefore the USD not only lost attractiveness due to interest rate difference but in the future also needs to devaluate in order to compensate higher inflation. In addition during 2021 the investment community expects the global economy to recovery, whereby commodity related currencies (RUB, AUD, CAD) and Emerging market currencies should profit positively at expense of USD.
- On the short term, it looks like market participants are well positioned for a weaker USD, therefore the risk of a counter movement of the USD on the short term is possible and is happening, Gold is also suffering, even if more correlated to negative real rates.



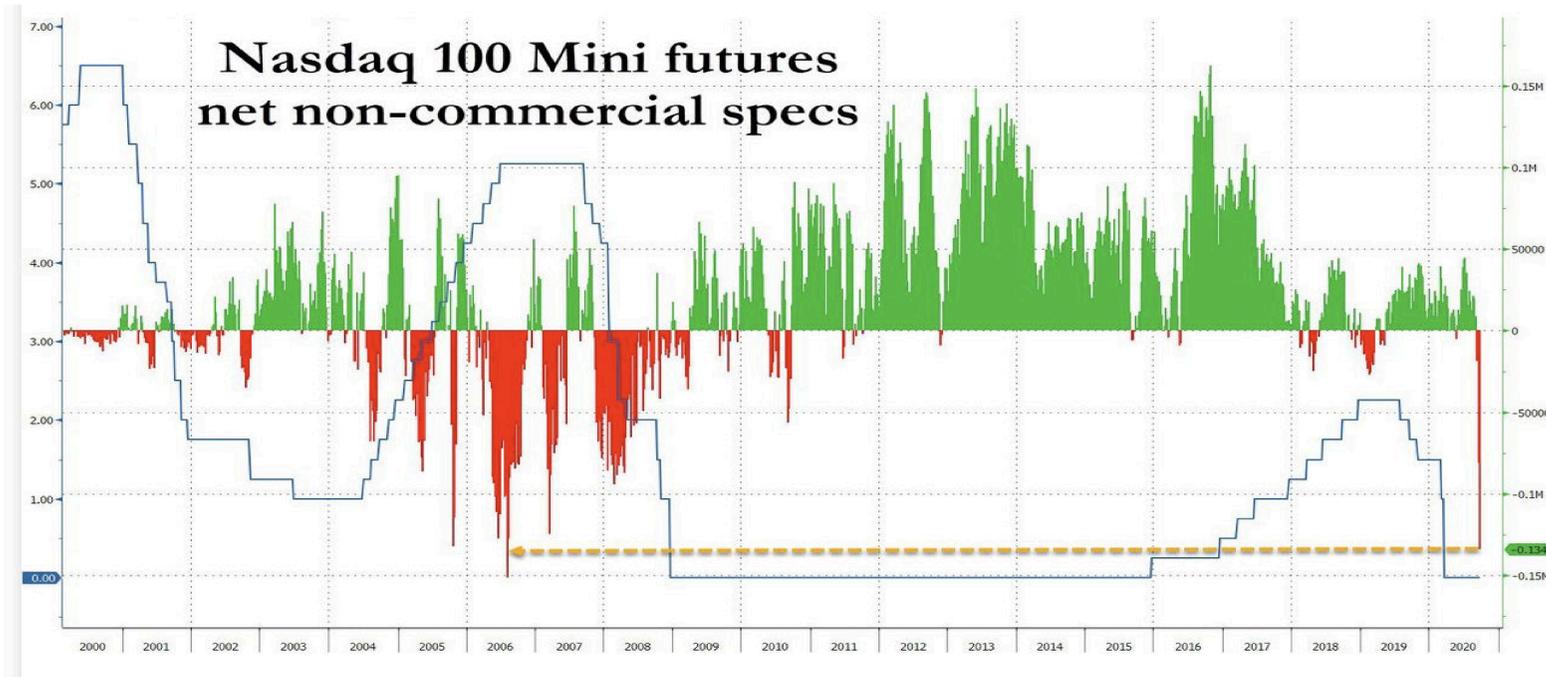
FED needs to cover the lowest % of foreign investors (source: Crescat)



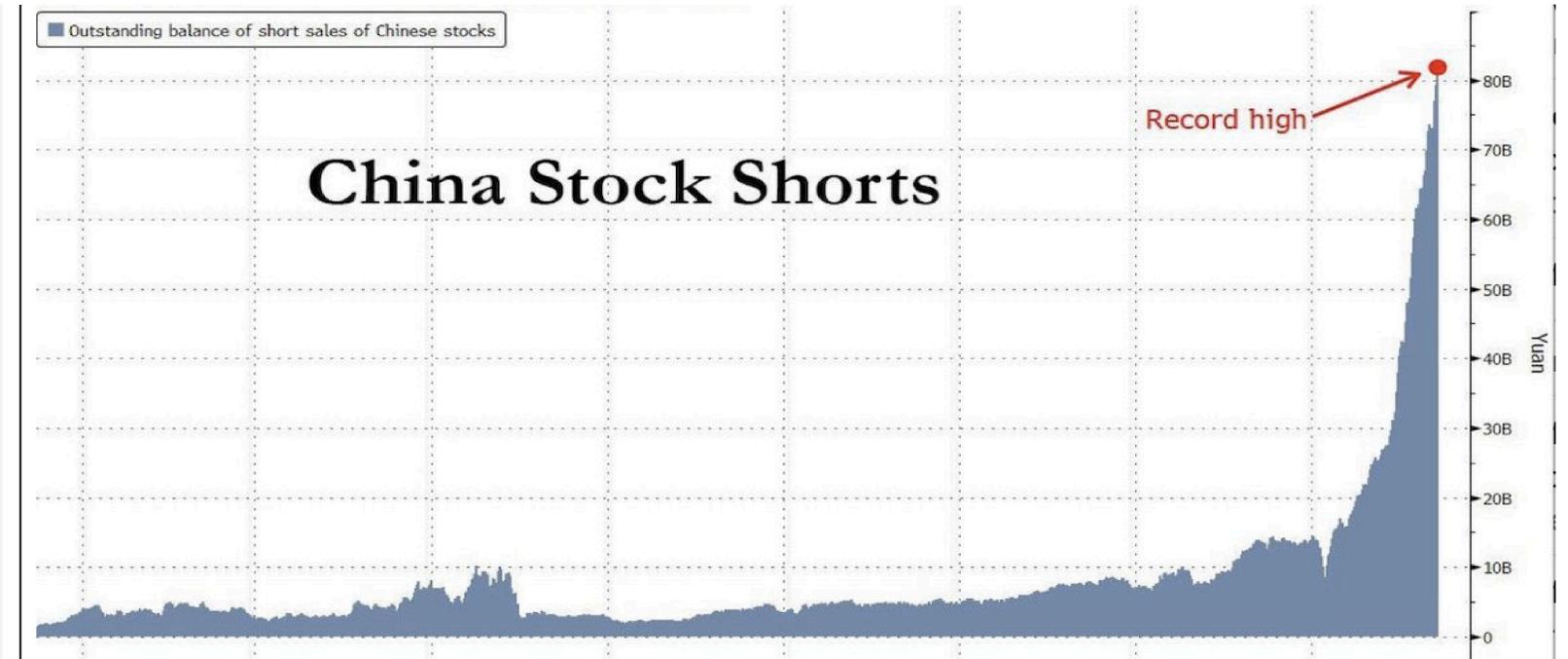
Biggest short USD position in the last 9 years

Market sentiment

- As argued multiple times recently, the market needs a consolidation phase in order to rally further.
- The months of September and October are normally weak seasonally and US elections are an important uncertain, even if we believe, a Democrat sweep could have small pressure on the market because of the Tax hikes but at the same time a much higher green infrastructure stimulus (2.5 Trio USD vs 1 Trio USD from the Republican, even if Trump calls for 2 Trio USD).
- It looks like the investment community is quite positioned for market corrections and during the last 3 weeks, Hedge Funds have gone from a net long 18.5k in Nasdaq 100 mini futures to a net short 134.3k (second highest on record together with July 2006).
- Chinese Stock shorts are at record high and large speculator Net positions in SPX, NSD and DJIA Futures at lowest (net short 50Bio USD from net long 10Bio 3 weeks ago). Are investors already positioned for a market correction? So no correction will occur?



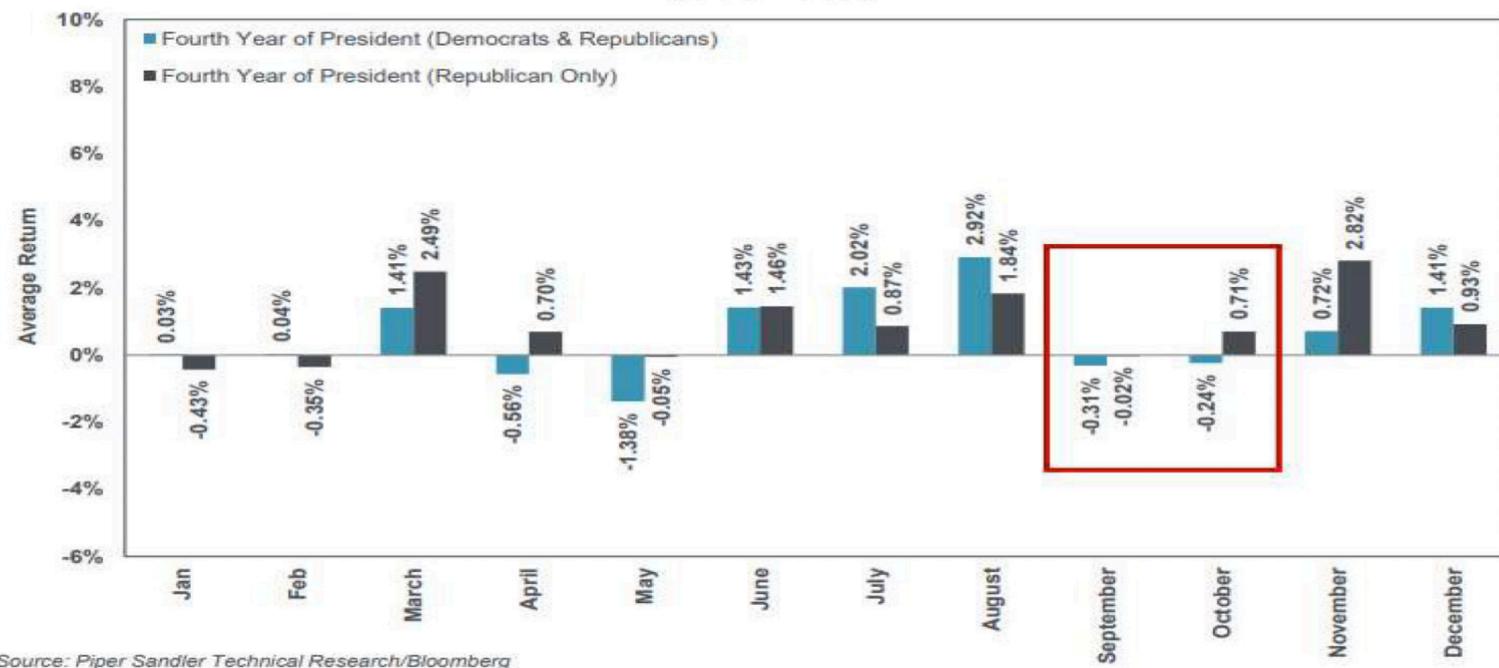
Highest short levels in Nasdaq



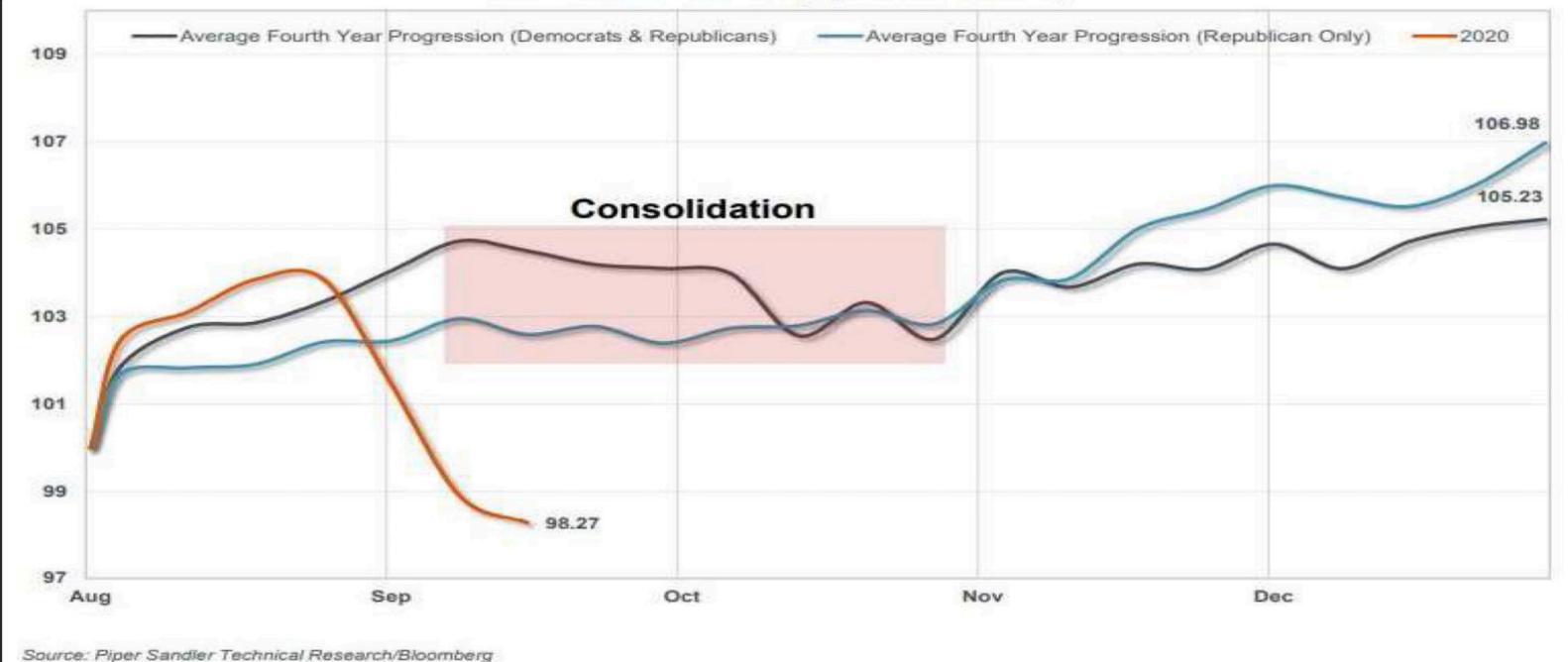
China stock shorts at highest levels

Seasonality during the fourth year of a Presidential cycle

- September and October are weak, but not as dramatic as an investor would expect.
- Compared to the last 2 cycles, during 2020, markets have already corrected more.



Seasonality during the fourth year of a Presidential cycle (1928-2016) (Piper)



Fourth year of a Presidential cycle (1928-present - source Piper Sandler/CAT)

Correlation of GOLD to real interest rates

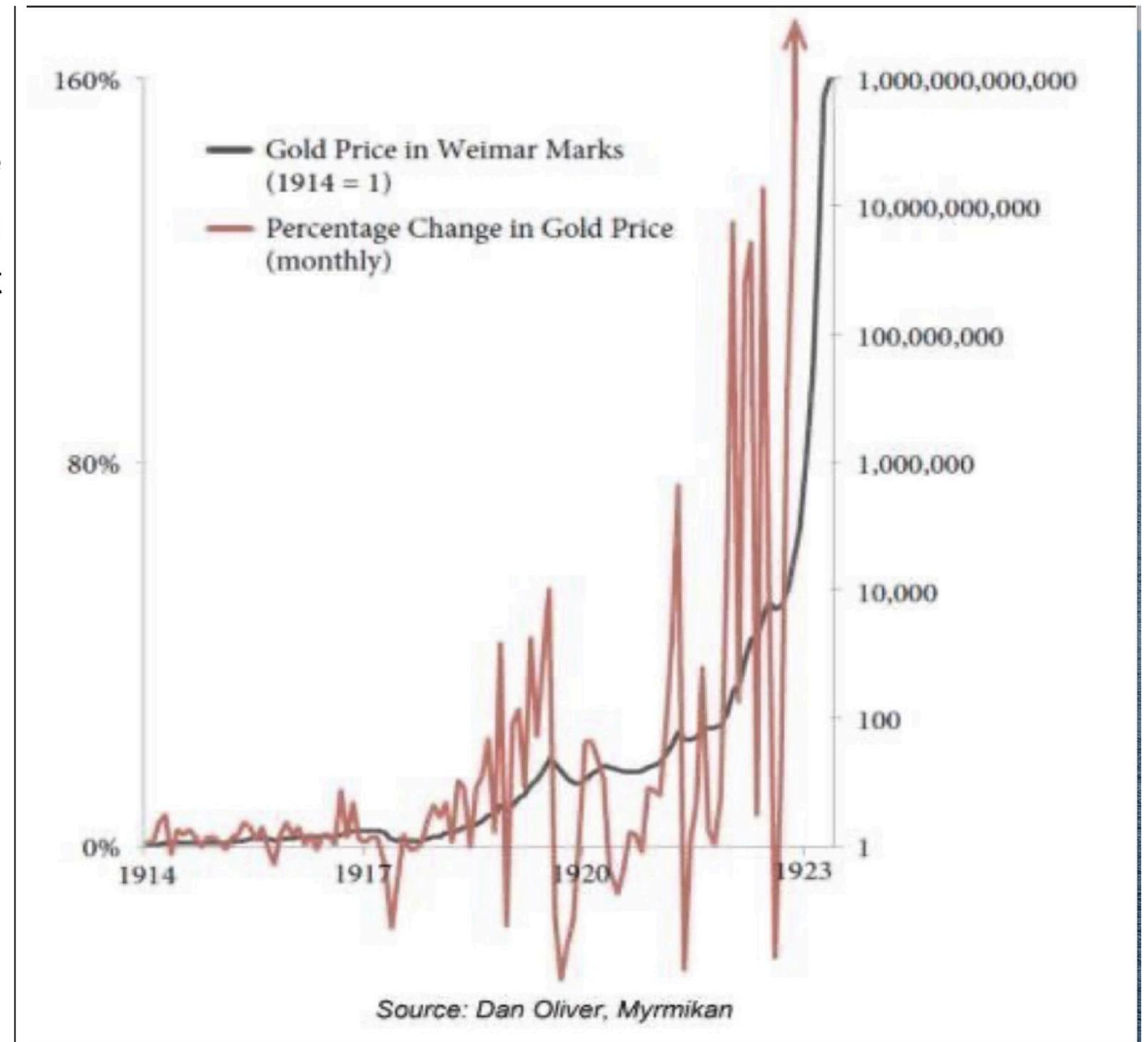
- As explained in the past, Gold is following real interest rates. The Gold price's correlation with real rates is at R2 0.95, as showed in the chart below from Mr Ritesh Jain via Bloomberg.
- On the short term basis, Gold is “suffering” from the USD rebound, but on the long term, Gold is going to “track back” real interest rates.
- Currently USD real rates are at -91 bps and according to FED affirmations, real rates could further fall to -200 bps or preferably even -300 to -400 to get back to the long term inflation target of 2% p.a. Therefore the long term upside potential of Gold and Goldmines is intact. Short term the best support for Gold is the 200 day moving average at 1'728 USD. The movement would also coincide with the support of EURUSD also at the 200 days.



Correlation Gold vs real rate R2 at 0.95 , basically 1:1 and statistically confirmed

Gold price during the hyperinflation in the Weimar Republic

- Interesting chart of the gold price in Weimar Marks.
- Only the “elderly” generation can remember such times.
- The chart shows, how it is difficult to trade a bull market: the investor would have been losing money 5 times, before being right. If the investor would have been in leverage, most probably, he would have lost his wealth, before being right.



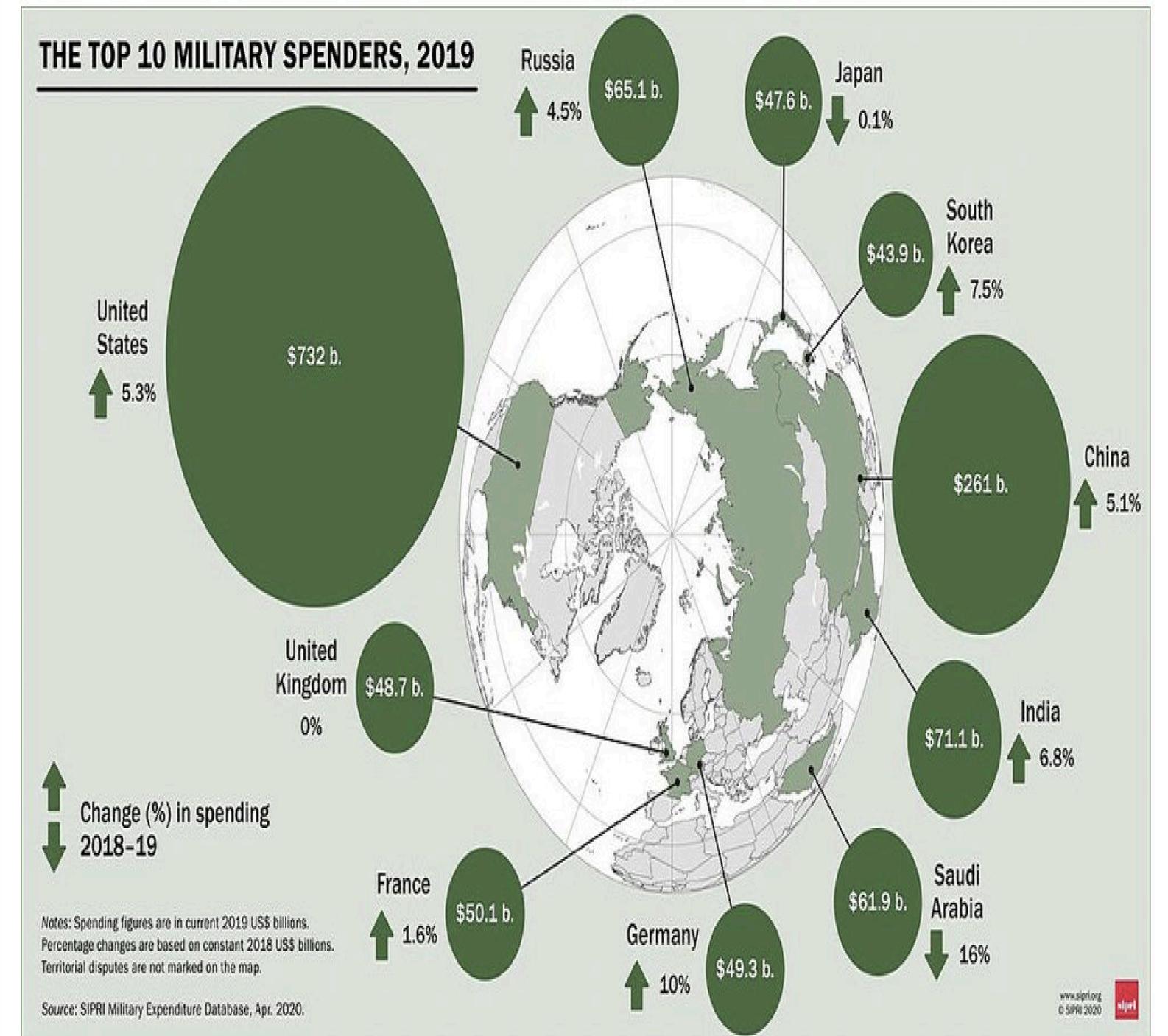
Gold price in Weimar Marks (source Mr Ritesh Jain / Dan Oliver)

General news

- Netflix documentary “dilemma social media”: in our opinion, the message is quite strong and normally analyzing historical claim events like against Microsoft monopoly, Cigarette industry, ABB and others for asbestos, etc. the risk of possible claims on data manipulation is very high and realistic.
- It is finally also statistically proven, that people, who get enough Vitamin D are 52% less likely to die of the covid-19 infection. (Source Dailymailonline): <https://www.dailymail.co.uk/health/article-8774015/Could-getting-vitamin-D-reduce-COVID-19-death-risks-52.html>

Top 10 military spenders

- Most of the investor community knows that the USA is the country with the highest budget in military spending which is still increasing.
- Even if Trump would reduce US military conflicts worldwide (people are easily forgetting, that Trump had less wars than any Democrat presidents, even J.F.Kennedy and Obama!), Military power helps as a backup for the international policy of sanction treats.
- The investment community thinks that under a Democrat administration, the “tone” of USA is actually not going to be more diplomatic, especially against China.
- USA is still spending 10x in military budget than Russia and more than double than China.



The TOP 10 military spenders, per 2019

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