

**KTS**  
CAPITAL  
MANAGEMENT



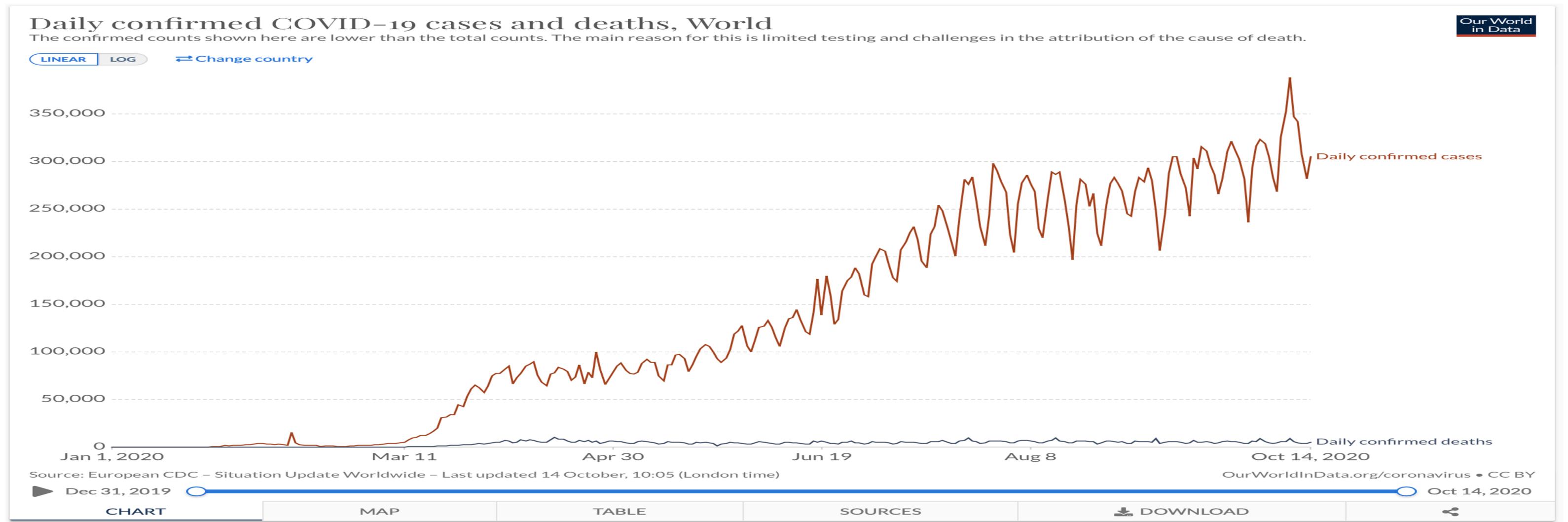
## **KTS weekly market update Nr. 26**

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The 20<sup>th</sup> of October 2020

# Fatality rate is not increasing

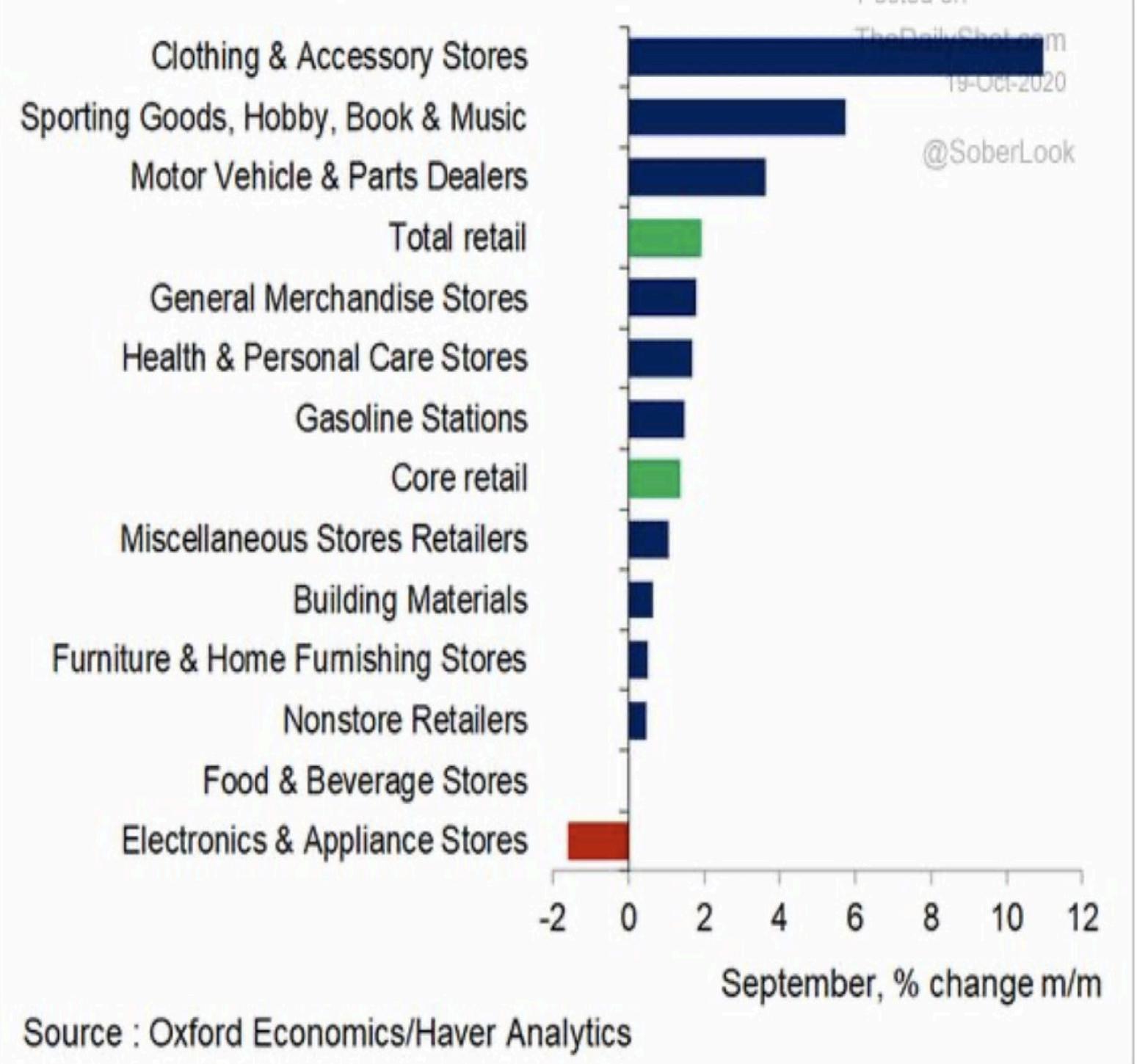
- We are aware of the alarming increase of new Covid cases, but in our opinion, everyone should focus mainly on fatality rates.
- In fact new cases are increasing, having had young people partying like nothing happened, but the elder generation behaves, and contagious are low, consequently also fatality rates.
- Most of young people are tested positive of covid19 but basically most of them with no symptoms!



## New daily COVID-19 cases vs deaths

# US retail sales

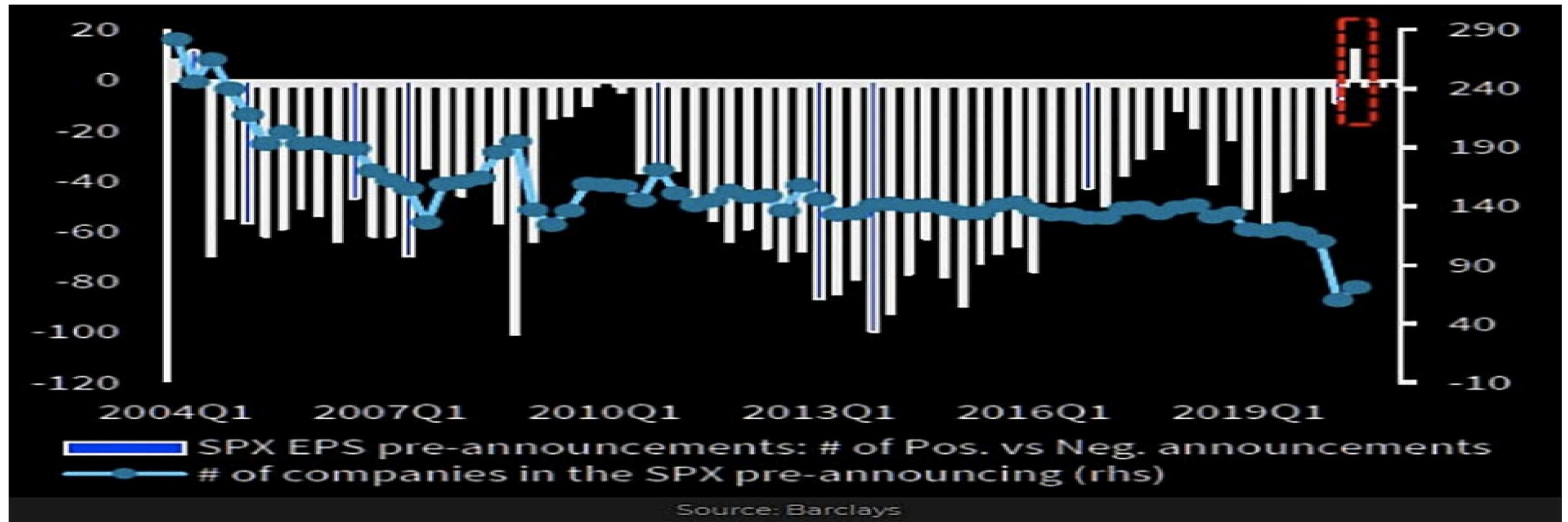
- During the month of September retail sales experienced a strong rebound.
- Sales in Clothing & accessory stores increase almost 12%, followed by Sporting with 6%
- The sales increase in clothing is showing that people are slowly getting back to normality and are not panicking about their future.



US retail sales in September (Oxford economics/FlowBank)

# Earnings season

- For the first time since 2004, there are more positive than negative earnings pre-announcements in the U.S.
- As we argued multiple times after covid19, during panic moments, analysts and also investors tend to be too negative.



SPX EPS pre-announcements positive surprises (Barclays/FlowBank)

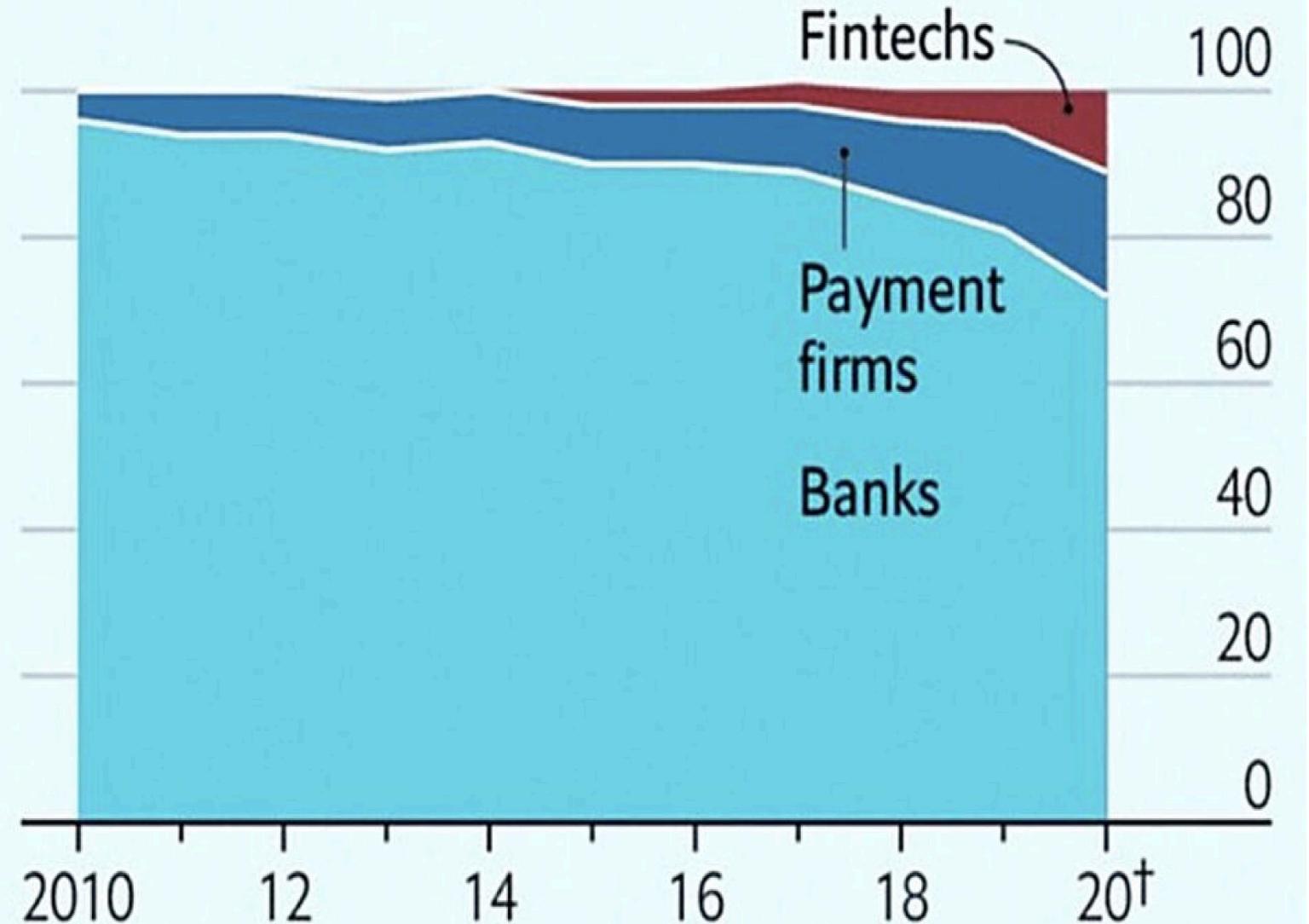
# FinTech and factoring

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- Because of the Chinese FinTech Ant Group's IPO the investment community is intensively discussing the role of •FinTech in finance.
- The business model of Ant's lending arm is based on the profound machine learning analysis of all payment data of Alipay and allows the company to lend money to consumer with an optimized low default ratio.
- The concept of current machine learning data analysis is the main reason, why KTS stays invested in modern factoring structures. In fact, modern analysis models can search datas online on lenders and improve dramatically any research helping on substantially reduce default ratios.

# FinTech and traditional banking

- Market share capitalization in percentage of global banks shows how FinTech and Payment firms are slowly but surely eroding banking business.
- Those percentages are not representing the margins and business erosion, which are at the moment less significant, having •FinTech with high valuations, but the chart shows clearly the direction.

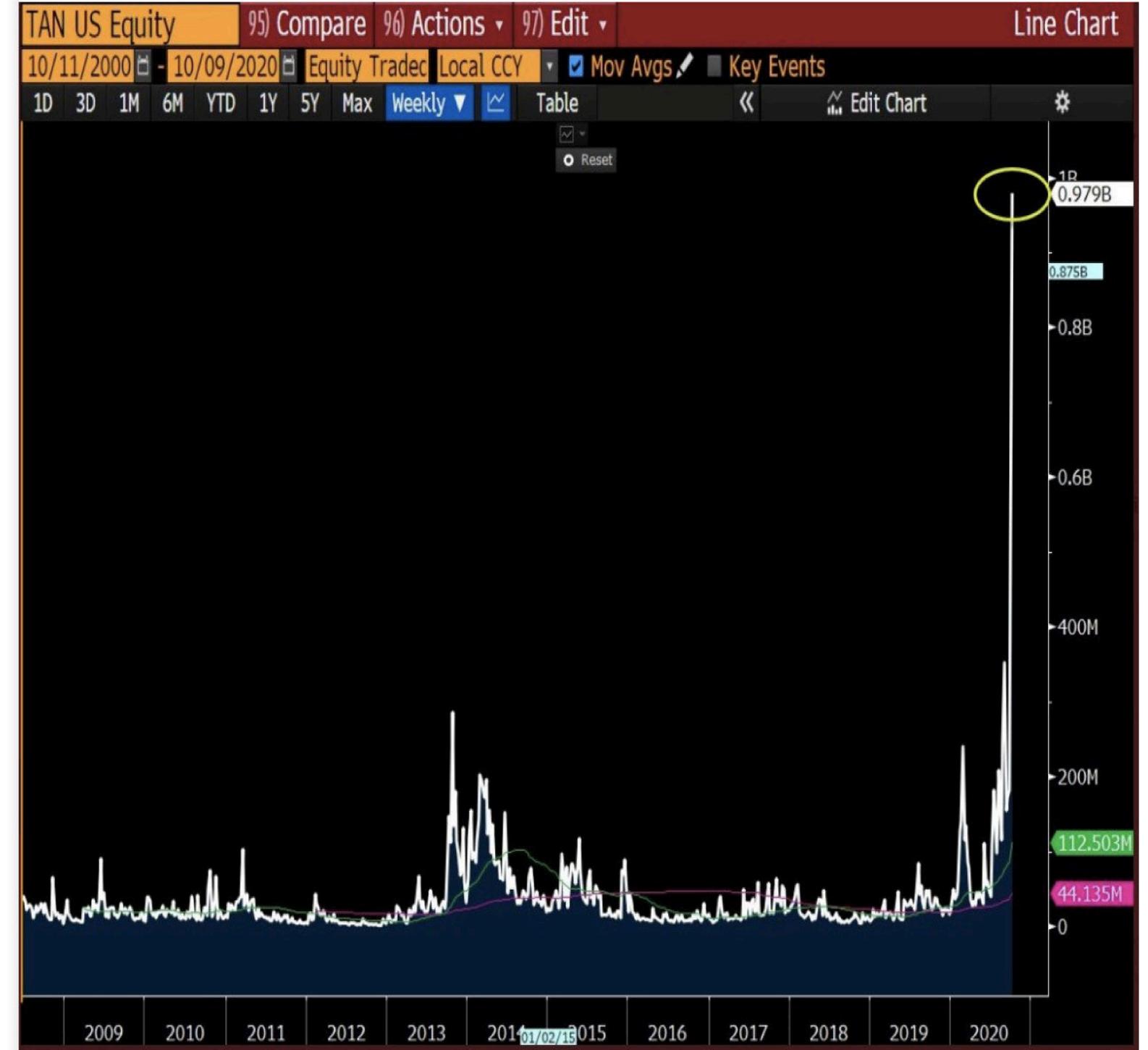


\*Estimated value used for private fintech firms †At Oct 7th  
Sources: Bloomberg; CB Insights; CNBC; Finextra Research; Reuters;  
*Economic Times of India; Wall Street Journal; The Economist*

Top 500 global banks, payment and FinTech firms (flowBank)

# Passive investments in the “clean energy” sector

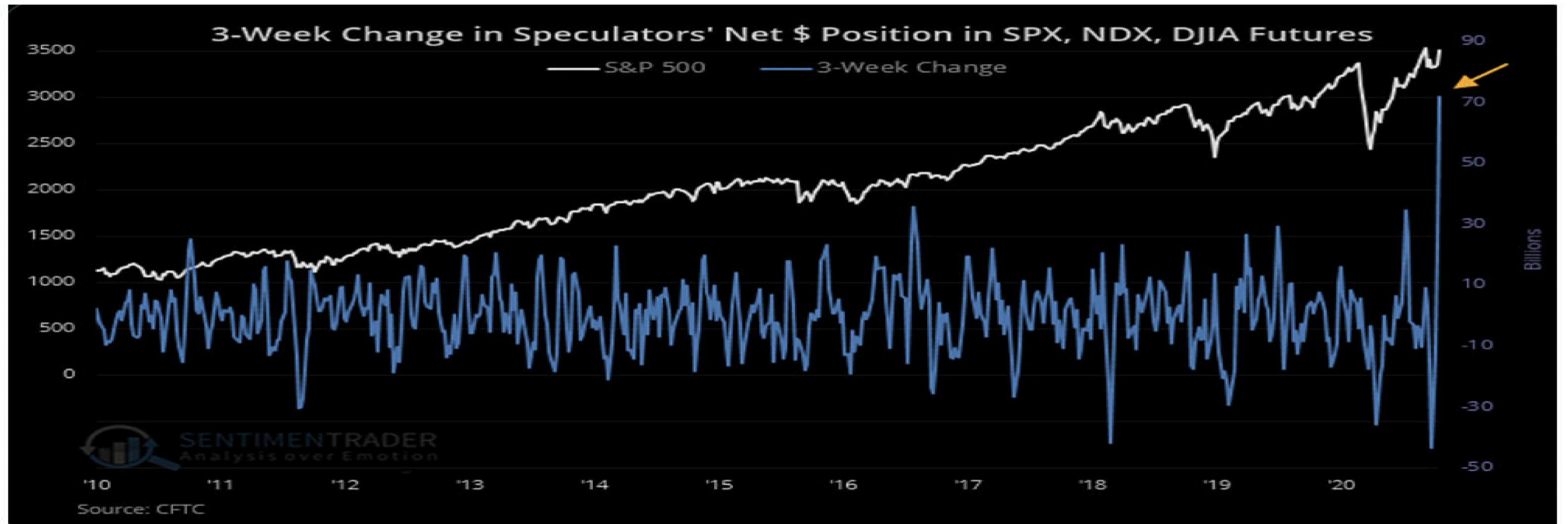
- The investor community, especially retails, would like to invest in the “green” momentum. Most of investors have not idea of single stocks or companies, therefore prefer to invest in passive ETFs.
- As you can observe in the chart, the inflows in such passive investment vehicles are massive, especially after June/July 2020.
- The composition of such ETFs is not based on active analysis and honestly it is also not really transparent, how the stock selection is applied.
- The point we want to make is that stocks in such passive baskets are rallying not because of fundamentals, but rather because of inflows and a lot of stock in passive ETFs have unsustainable valuations.
- Remind us situation in the past like the Canadian Cannabis bubble, and also the German solar boom and the launch of UBS new market fund back in year 2000!



Inflow in the ETF solar TAN US

## Recent market rally

- Recently large speculators were net short about USD 47bio worth of equity index futures, now we are at net long USD 25 bio.
- With USD 72bio swing in 3-weeks time is the biggest ever. Apparently such an extreme swing is caused by the hope of the new stimulus package in the US. For us it is too difficult to predict such short term market volatility, therefore we keep the focus on the recently discussed long term bullish view on equities markets.



3-week change in speculators net position in S&P500 , Nasdaq and Dow Jones Industrial Index Futures (CFTC, FlowBank)

## Global news

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- It looks like, that the Chinese Biotech company China national Biotech Group (C.N.B.G.), which is the country's largest vaccine manufacturer, will announce some level of approval for a coronavirus vaccine in October 2020, having neared the end of Phase 3 trials with 2 different versions of its vaccine. It looks like Chinese Authority are going to speed up the process of approval.

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