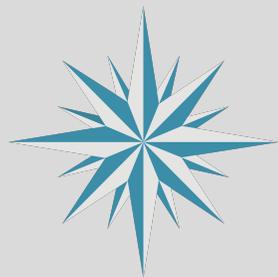


**KTS**  
CAPITAL  
MANAGEMENT



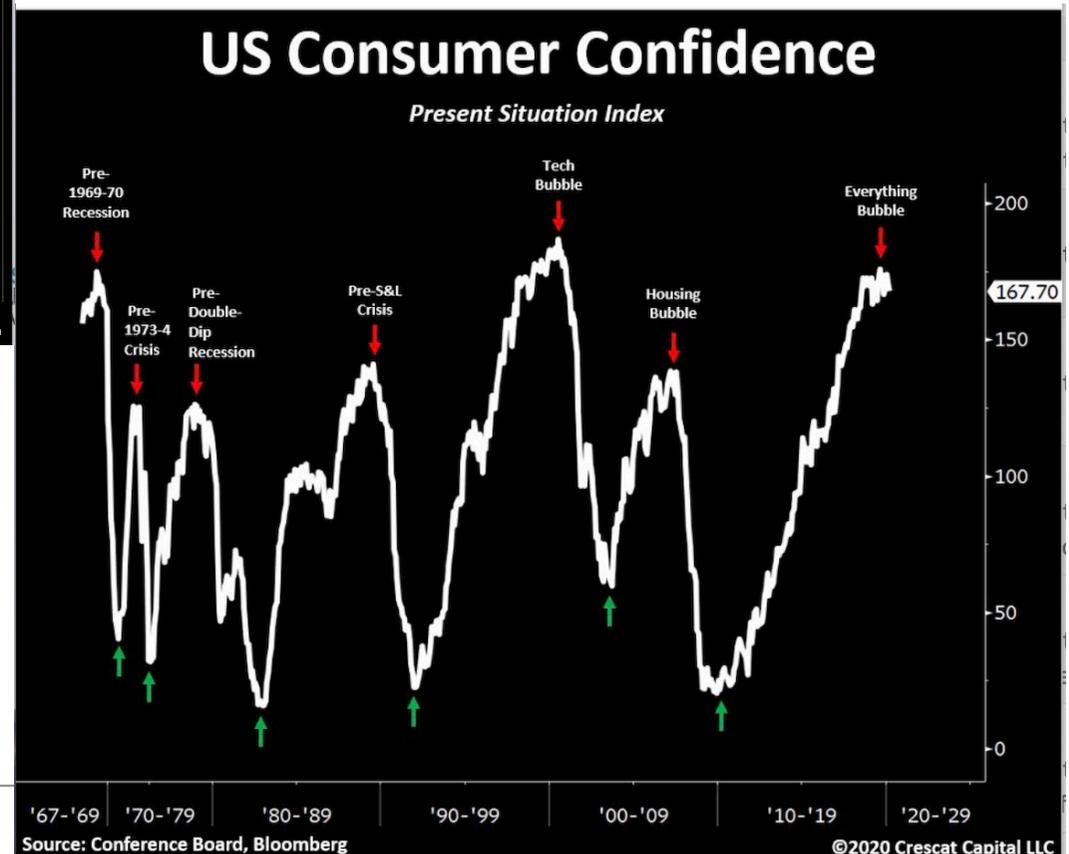
## **COVID-19 analysis - update**

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*As per April 2020*

# US consumer Confidence still to high

Per 22 March US consumer Confidence still at highs, market does not rebound in such environmental. But let wait for the first update at the beginning of April



# Latest US Q2 GDP estimates per firm

\_ During Q1 2020 results, companies might get a better forward guidance.....

Firm	2Q2020 GDP estimate
Bloomberg Economics	-9.0%
UBS	-9.5%
Pantheon	-10.0%
Strategas	-10.0%
Cornerstone Macro	-11.0%
Oxford Economics	-11.9%
Citigroup	-12.0%
Credit Suisse	-12.0%
Bank of America Merrill Lynch	-12.0%
Deutsche Bank	-12.9%
IHS Markit	-13.0%
Wells Fargo	-14.7%
TSLombard	-17.7%
Evercore ISI	-20.0%
JPMorgan	-25.0%
Morgan Stanley	-30.1%
Goldman Sachs	-34.0%
Capital Economics	-40.0%

# Antibody test – human immune system

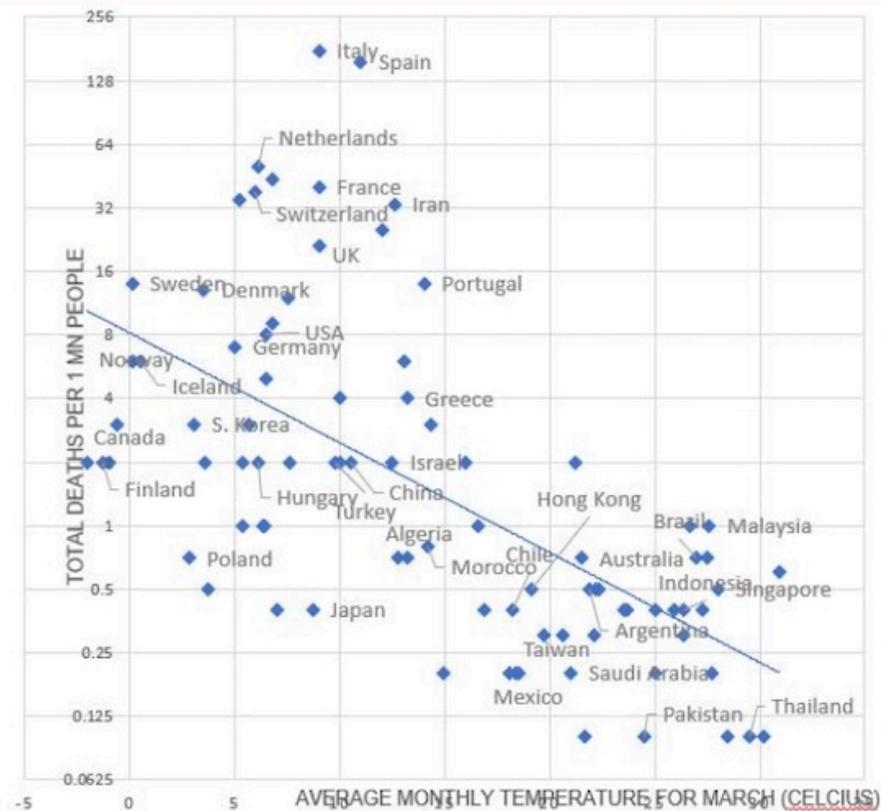
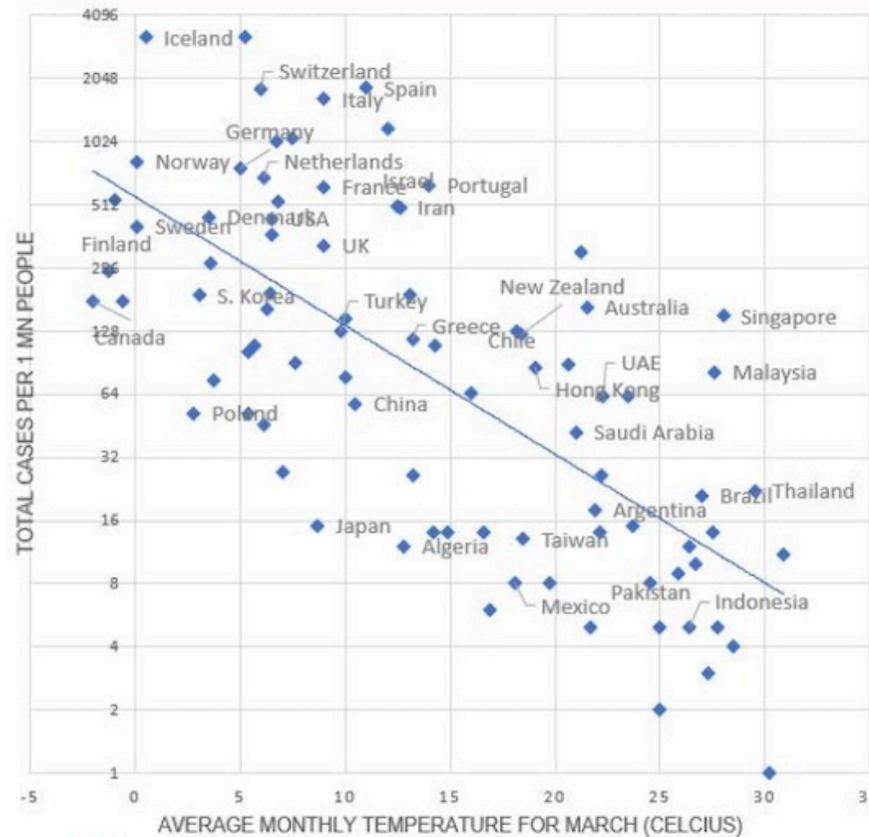
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- Because of experiences with SARS-COV2, those types of test are available in large scale.
- This will have to faster the process, who was ill and is now sick, therefore can go back to normal life.
- Good article of "The economist"
- [https://www.economist.com/science-and-technology/2020/04/01/an-antibody-test-for-the-novel-coronavirus-will-soon-be-available?fsrc=newsletter&utm\\_campaign=the-economist-today&utm\\_medium=newsletter&utm\\_source=salesforce-marketing-cloud&utm\\_term=2020-04-01&utm\\_content=article-link-2](https://www.economist.com/science-and-technology/2020/04/01/an-antibody-test-for-the-novel-coronavirus-will-soon-be-available?fsrc=newsletter&utm_campaign=the-economist-today&utm_medium=newsletter&utm_source=salesforce-marketing-cloud&utm_term=2020-04-01&utm_content=article-link-2)

# COVID-19 virus does not survive in high temperatures

- There seems to be a negative correlation between COVID-19 infections/death rates of a country and its average temperature in March.
- Does this correlation imply that the coming summer heat in Northern Hemisphere will suppress the COVID-19 pandemic?

COVID-19 Infections & Death Are Negative Correlated with Temperature



# US unemployment

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- All-time high unemployment was hit in 1933 during the Great Depression.
- An expected 10% GDP decline because of COVID19 would mean an unemployment rate of about 9% , which would be roughly in line with the peak reached during the financial crisis of 2007-2009. Per End of March total unemployment claims are 9.95 mln, which means 32% unemployment rate. By the next job report, May 8, probably number are going to be higher, because the shutdowns was after the week of March 8-14. 2008 crisis were around 9 mln.
- The America's economic-stimulus bill will help. Stimulus in Germany is around 15% of GDP and the 2 trio USD in USA is 10% .
- Goldman Sachs see a peak in Q3 2020 of 15% unemployment, an estimate that is roughly in line with those of other forecasters.
- Analysis Louisiana in late 2005 (Hurricane Katrina) the state's unemployment rate dropped almost as sharply as it had risen
- Good article in "The economist":
- [https://www.economist.com/united-states/2020/04/01/how-high-will-unemployment-in-america-go?utm\\_campaign=the-economist-today&utm\\_medium=newsletter&utm\\_source=salesforce-marketing-cloud&utm\\_term=2020-04-01&utm\\_content=article-link-1](https://www.economist.com/united-states/2020/04/01/how-high-will-unemployment-in-america-go?utm_campaign=the-economist-today&utm_medium=newsletter&utm_source=salesforce-marketing-cloud&utm_term=2020-04-01&utm_content=article-link-1)

# Number of fiscal stimulus

- Germany 17% of GDP
- Banks are much better capitalized than 2007 and 2013

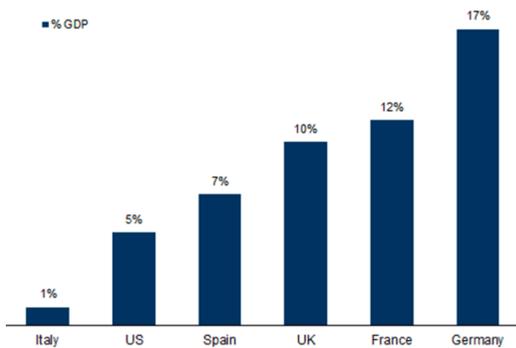
Investment Outlook Q2 2020



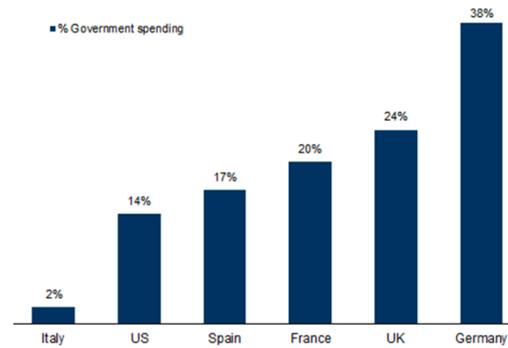
## Stimulus Number Two

Huge fiscal packages against Covid-19 crisis

Covid-19 fiscal package as percentage of GDP



Covid-19 fiscal package as percentage of government spending

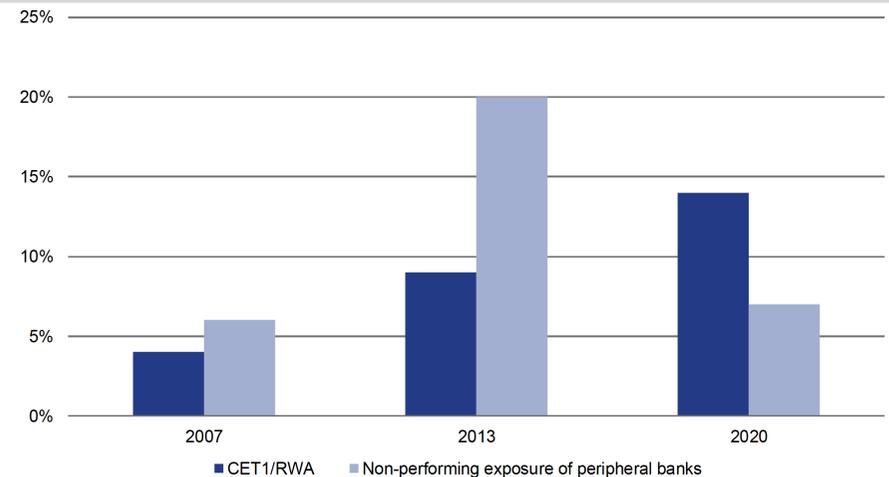


Outlook Q2 2020



## Financials in much better condition compared to 2008

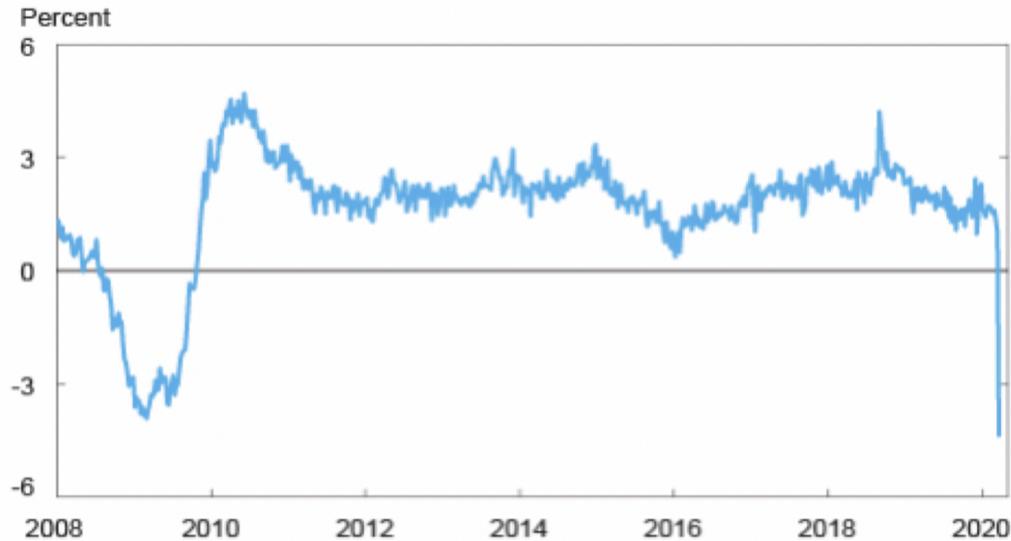
Capital and asset quality measures are signaling decent headroom to withstand an adverse economic environment



# First indication of economic Index

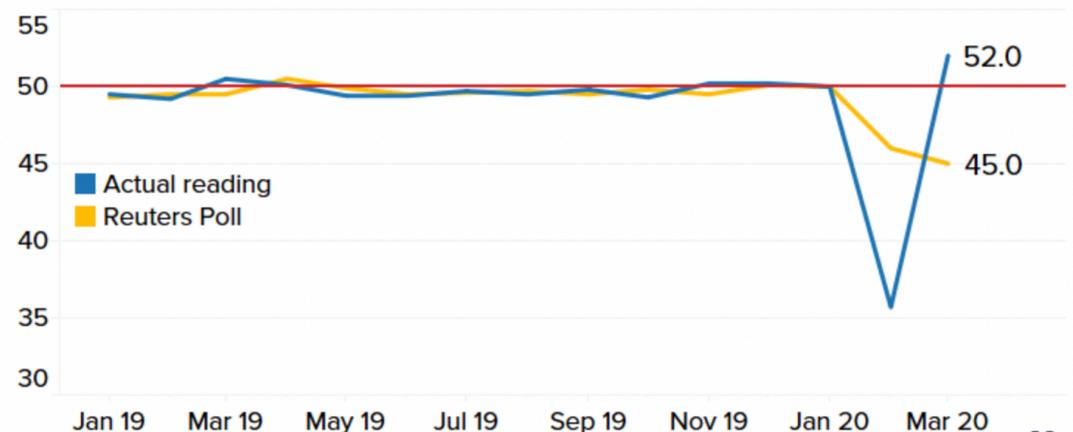
- USA weekly economic Index from +2.5% growth to -4%
- China PMI Manufacturing was at 35.7 in February 2020 and rebound to expansion on 23 March 2020 (52, over 50 the economy is in expansion)

Weekly Economic Index (Federal Reserve Bank of New York)



## China official manufacturing PMI

A reading above 50 indicates expansion, while below 50 indicates contraction



SOURCE: National Bureau of Statistics of China, Refinitiv

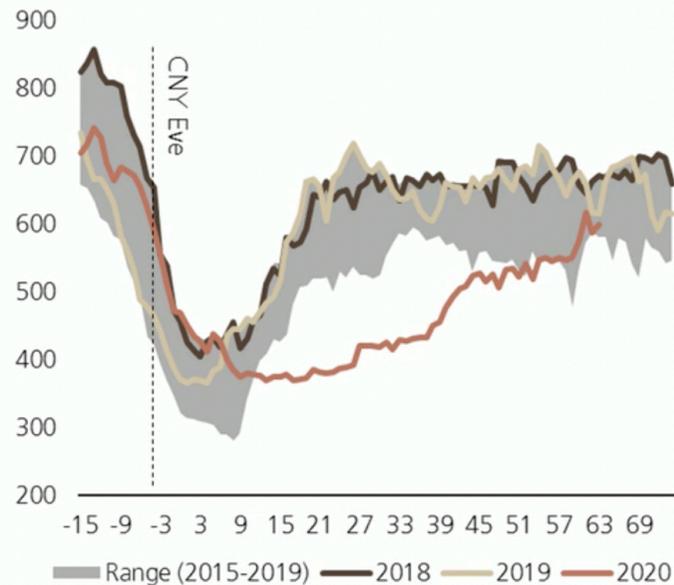
# China on the way to normalization

- At the end of March, China is on the way to normalization. Only Entertainment is not as strong as it used to be on the same period during 2019

## China: Industrial activity closer to normal, services still lagging

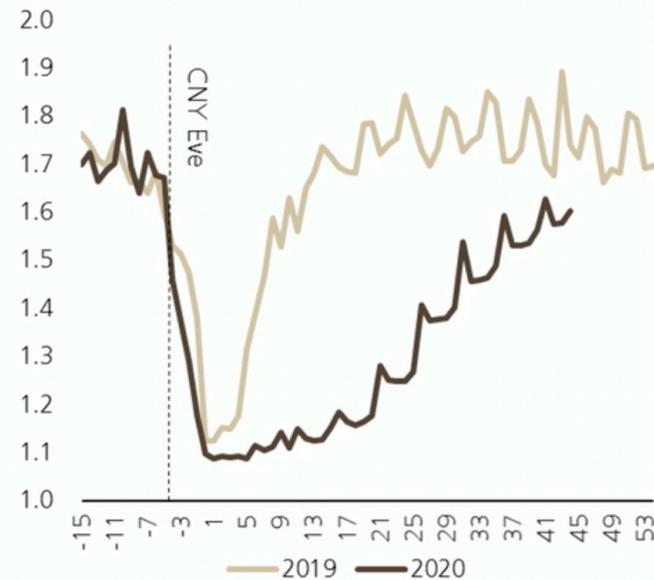
Coal consumption close to 2019 level

Daily coal consumption of 6 power plants (K tons)



Traffic activity not as congested as in 2019

Workday traffic index - 19 major industrial cities



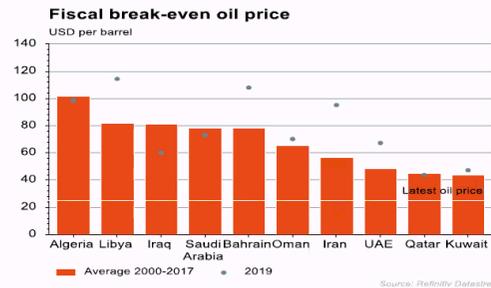
Source: WIND, UBS as of Mar 2020

# Oil war

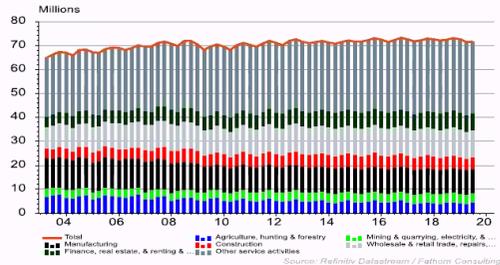
- To keep the economy going, Saudi Arabia need an oil price at 80 USD, therefore Saudi Arabia can not hold this depressed situation for long.
- Russia is much more diversify
- US ISM is obviously strongly correlated to the oil price, and Texas is the most hit State, which is also the most important for Trump to win November's election.

## OIL PRICE WAR

CAN THE SAUDIS WIN THE WAR?



### Russia employment by sector

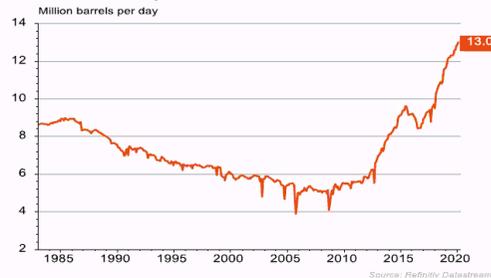


Source: Bloomberg / Decalia AM  
Last update: 17 March

## OIL PRICE WAR

WILL "THE DONALD" STAYS ON THE SIDELINE?

### US crude oil production



### US ISM headline surveys



### US trade balance, oil



# Technical analysis

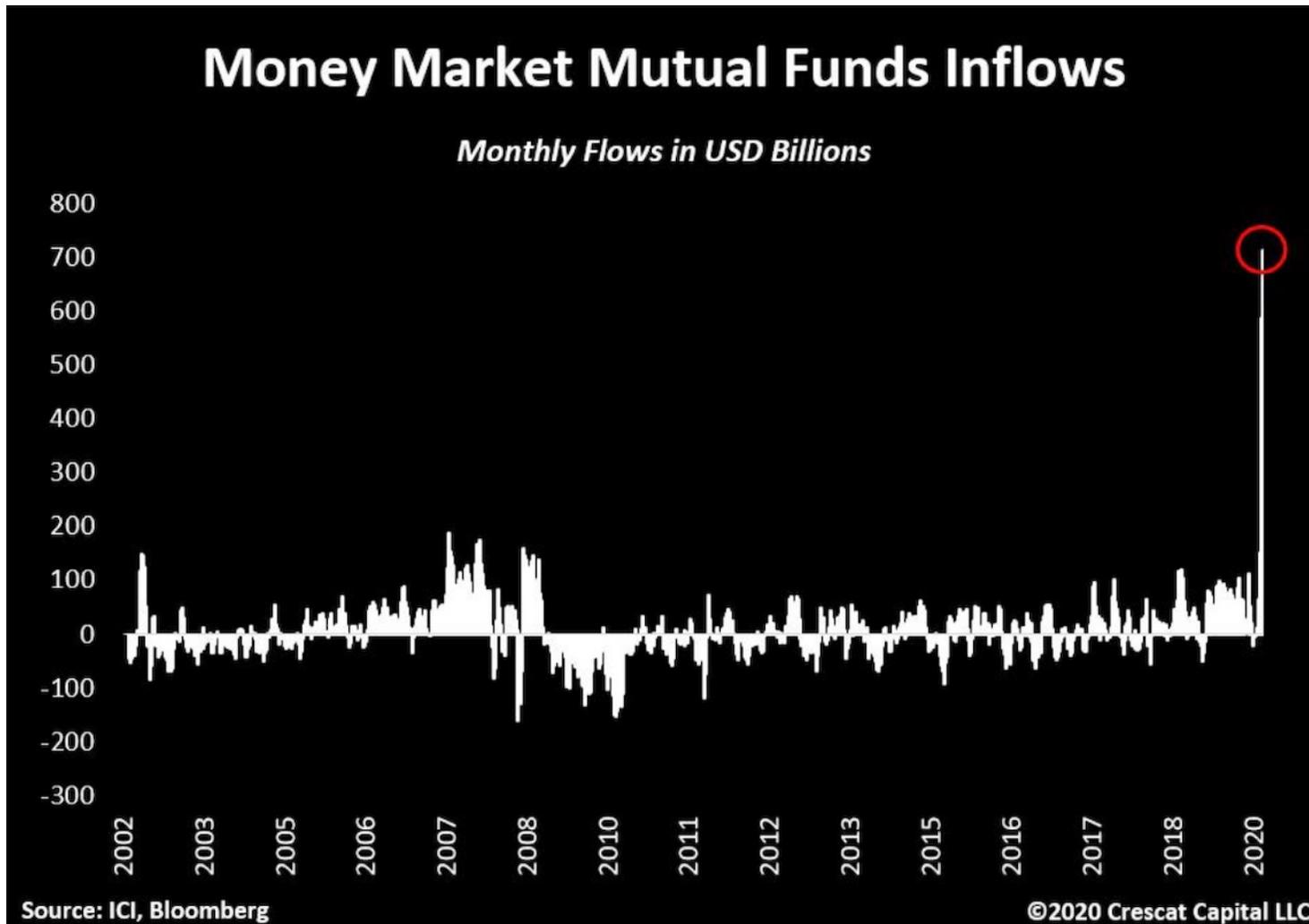
- On-Balance-Volume, which measures buying and selling pressure, held firm on most North American indices despite the awful economic numbers during beginning of April.
- This suggests the balance of power is shifting from sellers to buyers and supports our base case that a major price low is taking hold in equity markets.
- In our view, a bottoming process is underway in equity markets which support a major price low.



Source: StockCharts.com, Canaccord Genuity Research

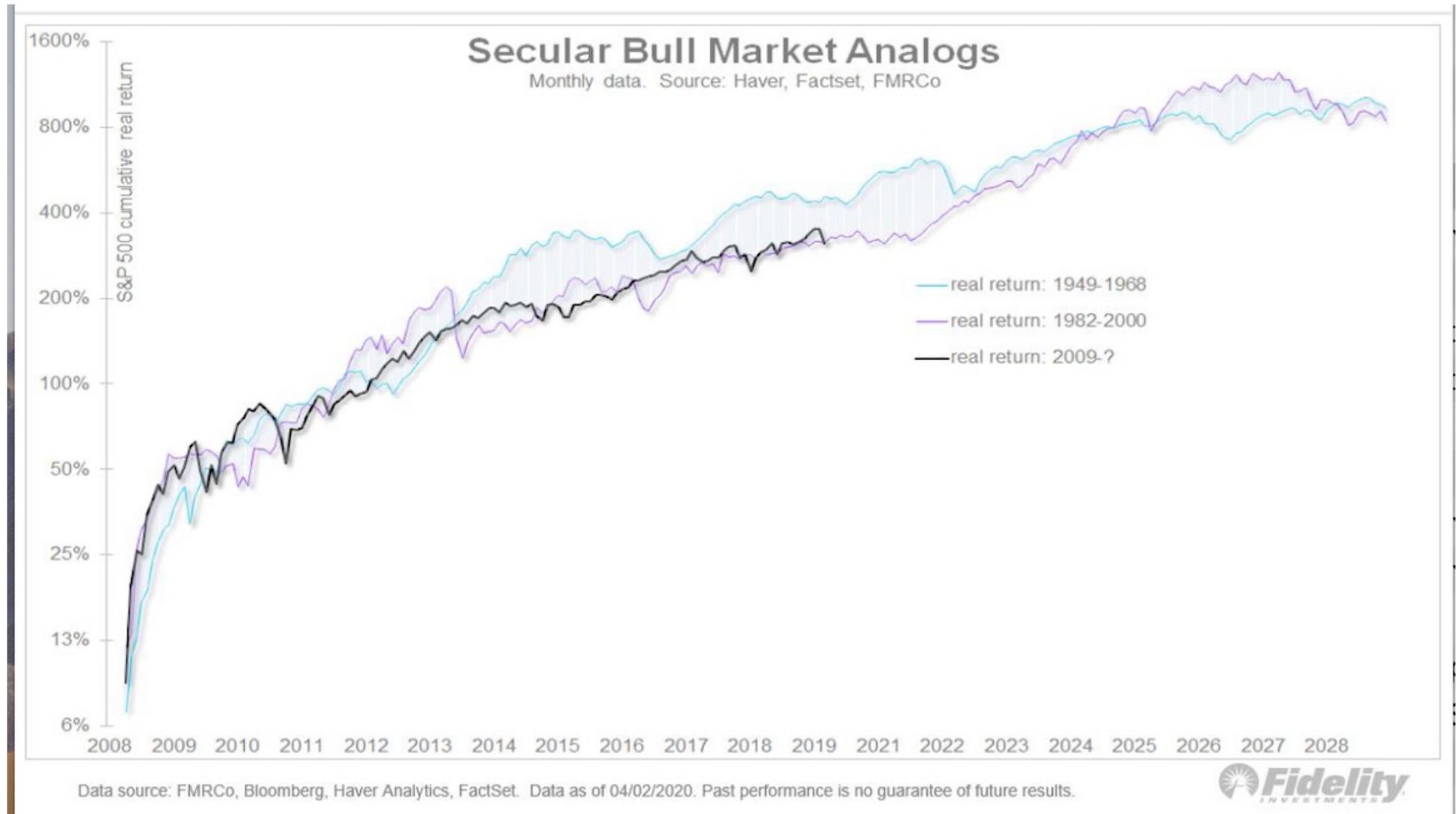
# Technical analysis

- Total assets in money market mutual funds just shot up to a 4.4 trillion record.
- The entire precious metals industry in US & Canada is 4.3% of 4.4 trillion
- All the Bitcoin in the world today is 2.6% of 4.4 trillion USD



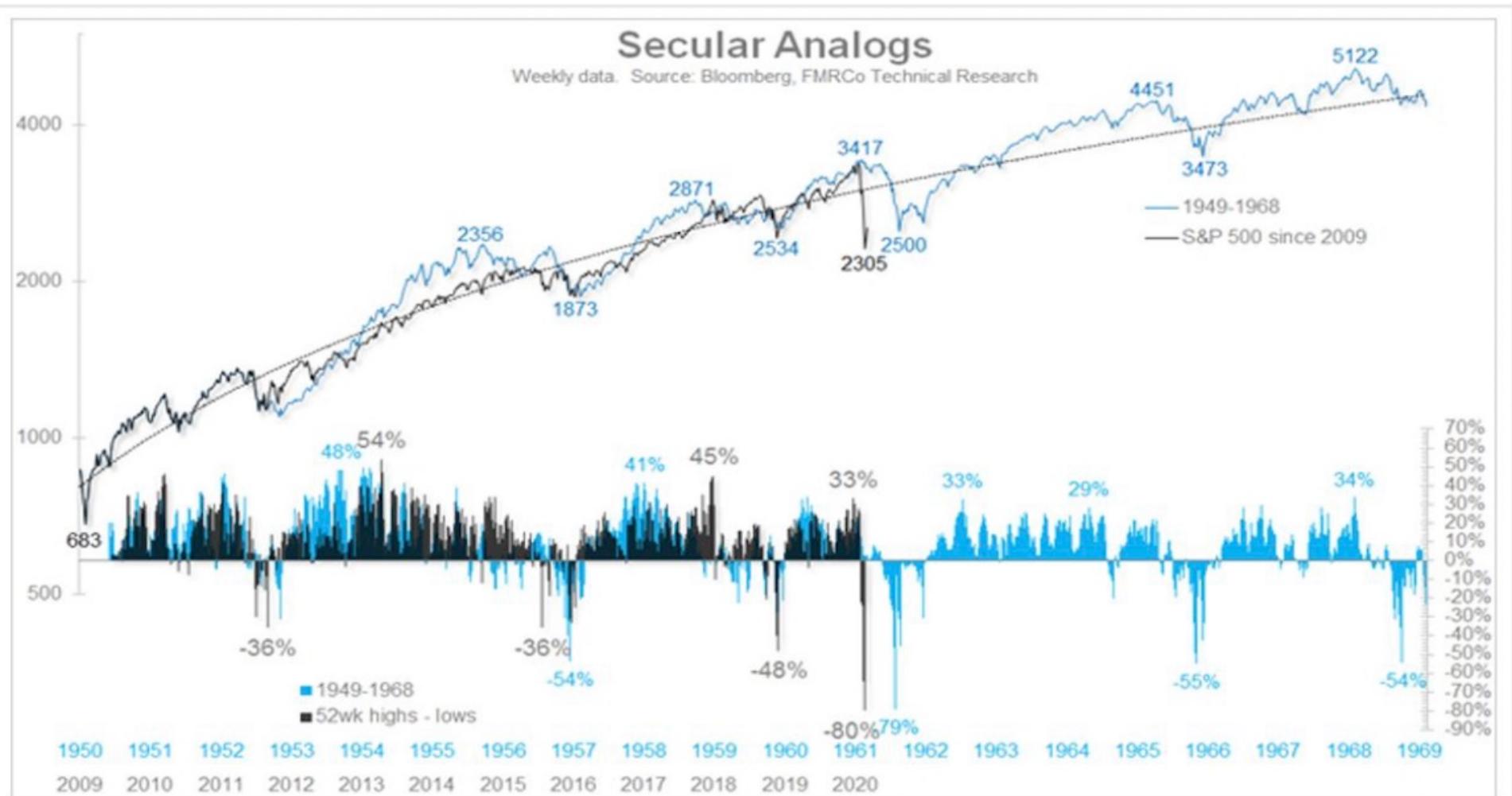
# Technical analysis

- As for the secular trend, it's still too soon to tell, if we are in a new regime. So far, the market is still tracking the secular BULL MARKET analogs of the 1950s-'60s & 1980's -'90s



# Technical analysis

- The secular bull market of the 1950s & '60s was interrupted by a swift 28% drop in 1962. The brief bear produced a breadth thrust of -79% much like the recent plunge of -80%.
- The market recovered quickly and went on for another 6 years until the peak in 1968.

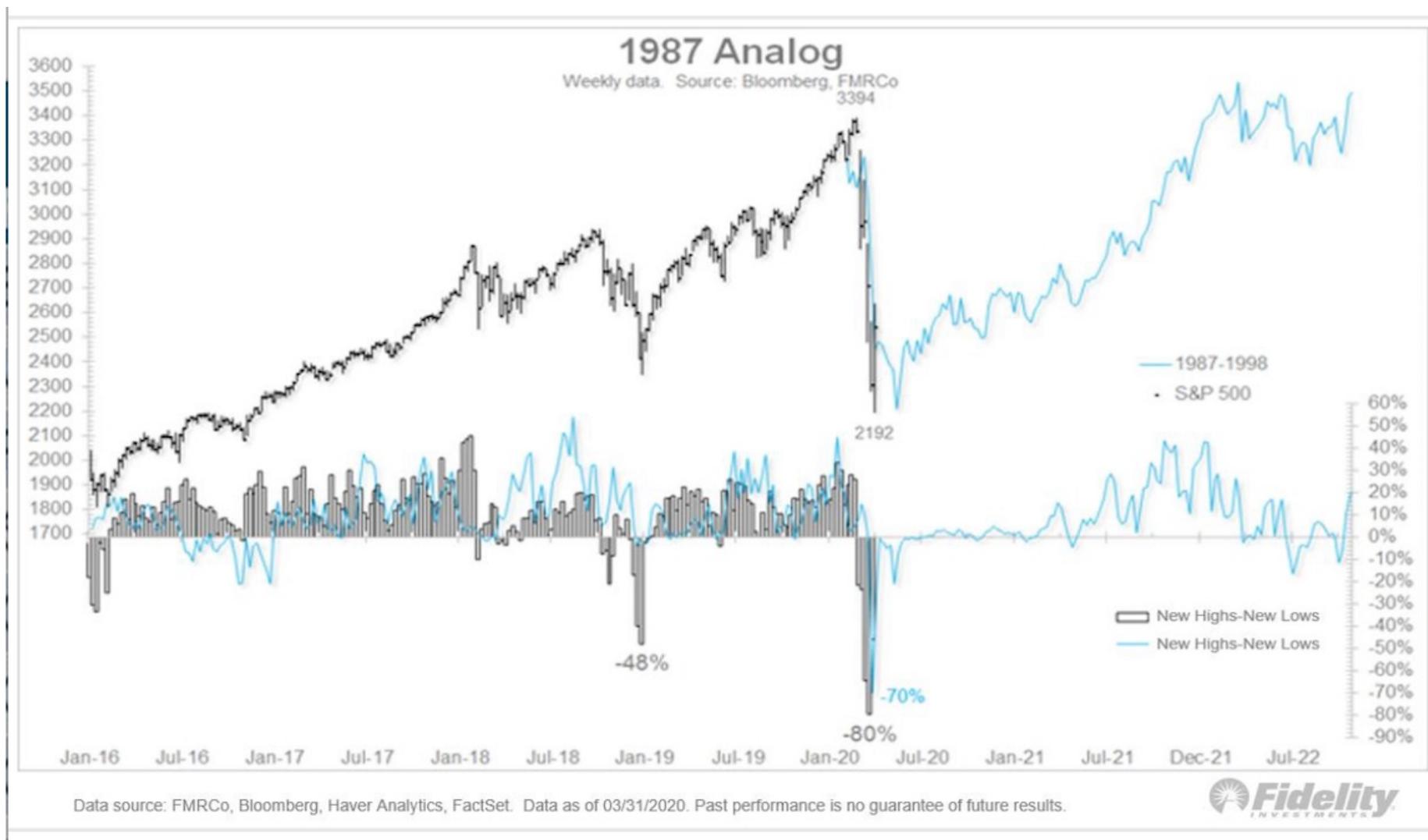


Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 03/31/2020. Past performance is no guarantee of future results.



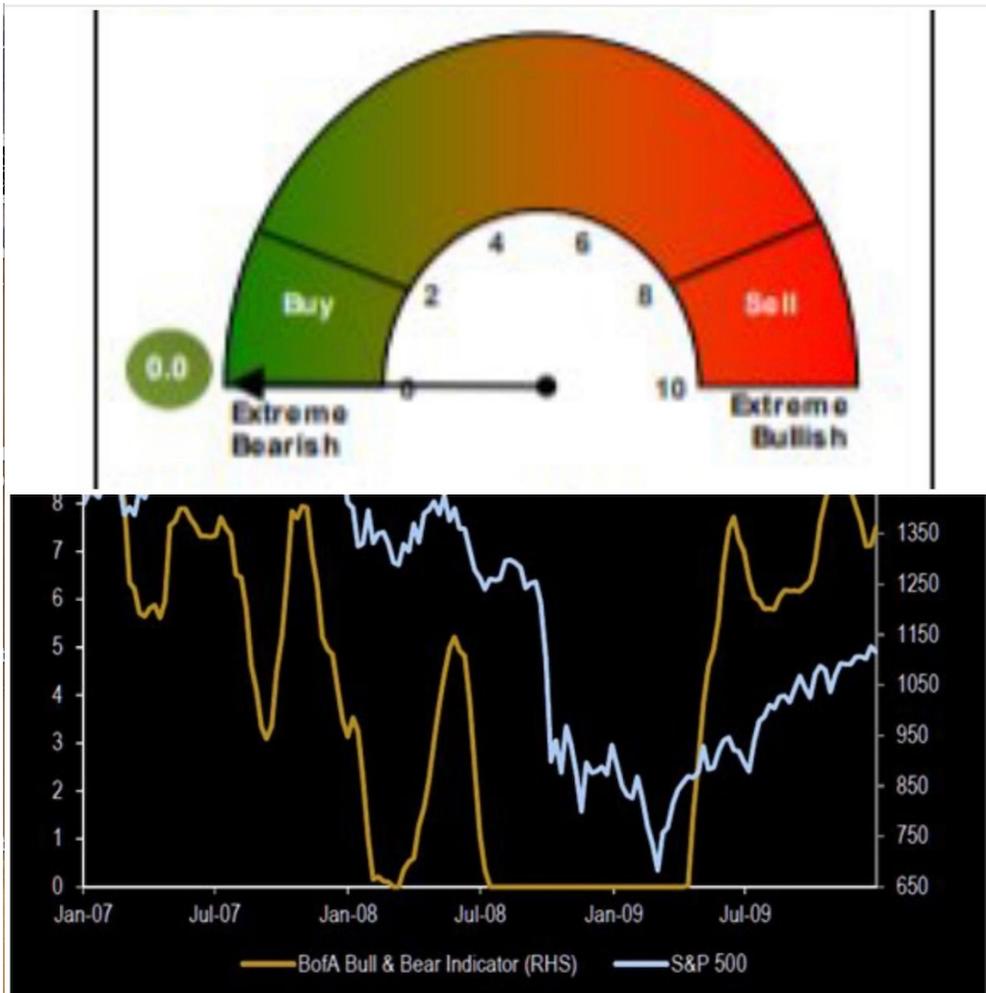
# Technical analysis

- The secular bull market from 1982 to 2000 was rudely interrupted by the 1987 crash, which took the S&P500 Index 33% lower with a breadth thrust of -70% .
- A year or two later it was making new highs, which continued until the peak in 2000.



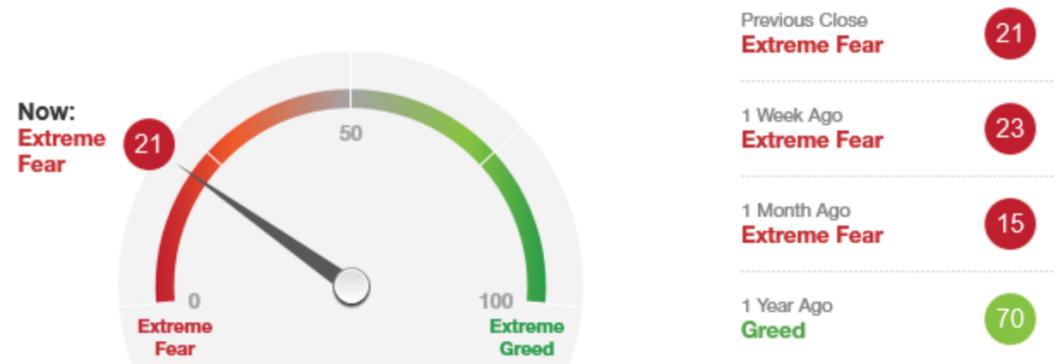
# Technical analysis

- Maximum bearish sentiment on the Bank of America Merrill Lynch Bull & Baer Indicator
- The most famous one of CNN is reading 21, already increasing from depressed levels (was at 15 one month ago)
- <https://money.cnn.com/data/fear-and-greed/>



## Fear & Greed Index

What emotion is driving the market now?



Last updated Apr 3 at 6:30pm

### Seven Fear & Greed Indicators

How we calculate the index [More »](#)

# Valuation extremes: not sustainable

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- The total market cap of the 3 main US airline is 31 Bio USD vs 42 bio USD of Zoom Video Communications

# Disclaimer

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