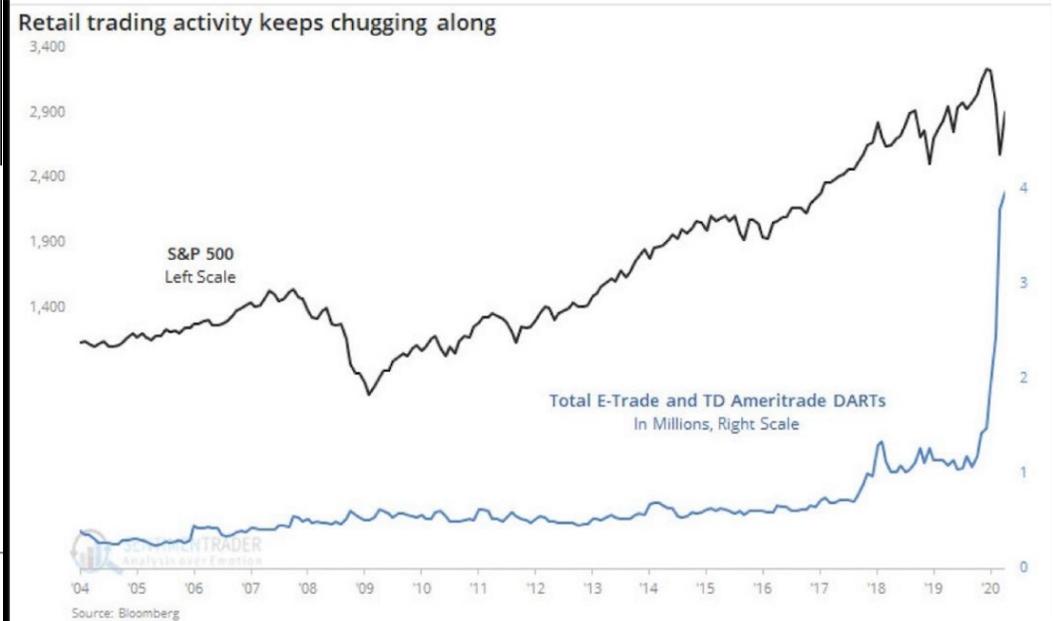
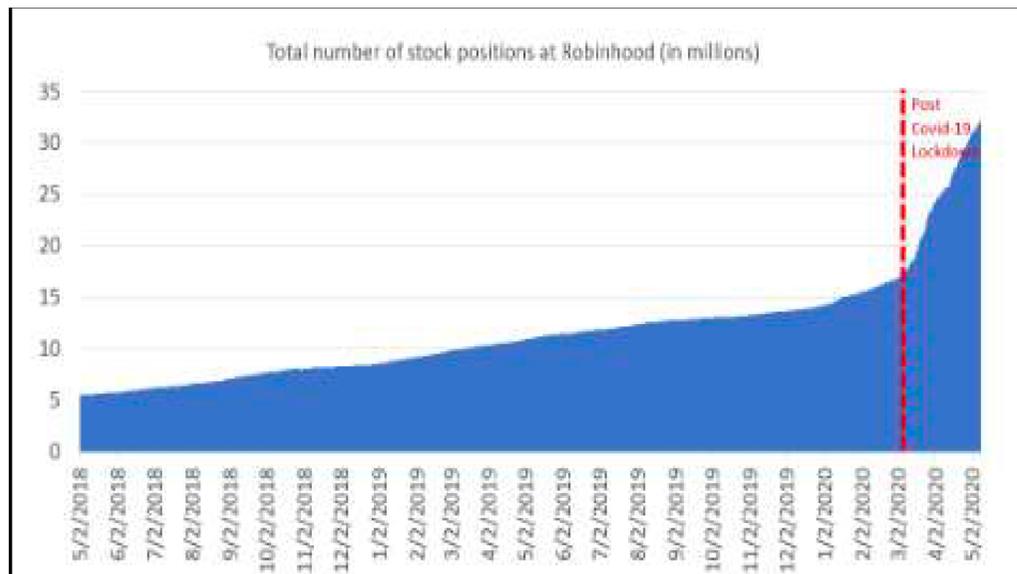


COVID-19 analysis – update nr 8

As per 15 May 2020

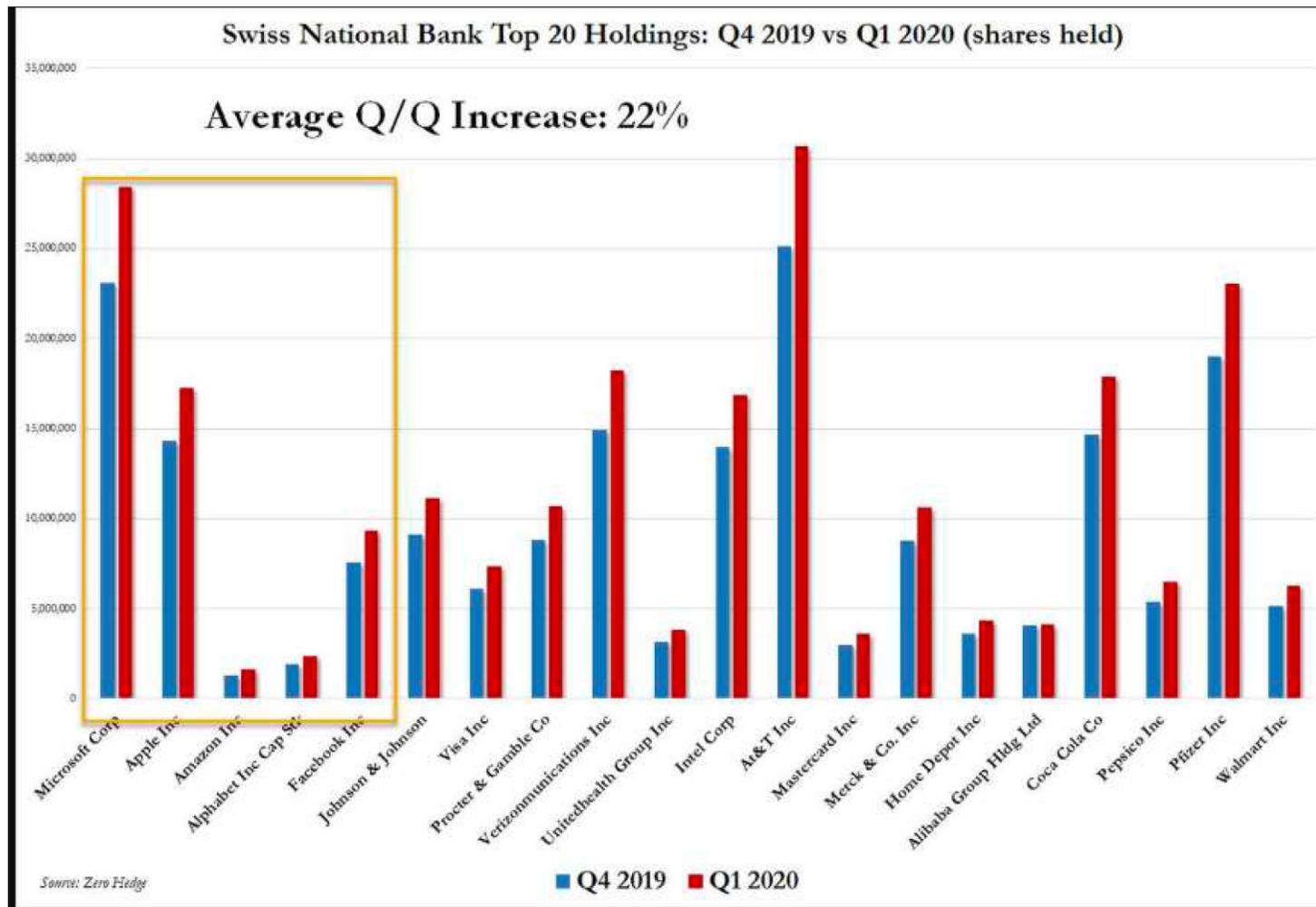
Retail investors profited from the market rebound

- In our report of last week, we observed how Central Banks bought into markets.
- It looks like, also retail investors has been buying the dip! (Source: Robintrack API Data)
- This reality is also confirmed from the huge increase in trading volumes by E-brokers: it looks like, retails rather than just work from home, were and are engaged in “trading at home”



Swiss national Bank also has been buying US mega cap

- The Swiss National bank has been buying US mega-cap tech stocks aggressively in Q1 – source: Zerohedge.com
- FED just bought a record amount of mortgage backed securities: 178 Bio USD and 305 mio in Bond ETFs HYG US and LQD US



Institutional investors are missing the rally

- CTA positioning are still short. (source DB)
- Risk-parity funds are still underweighted
- Positioning of institutional investors had turned even more bearish into the April/May
- Hedge funds remain out of the picture, with their beta to markets barely budging in recent weeks and just shy of all time lows.
- There is a massive gap between the S&P 500 and sentiment (AAII US Investor Sentiment)
Source: The Market Ear
- Cash mountain yet to peak: MMF (Money Market funds) assets are up 1.2tn to 4.8tn USD

Figure 9: CTA equity exposures remains very low



Figure 10: Equity beta for risk parity funds has also remained very low

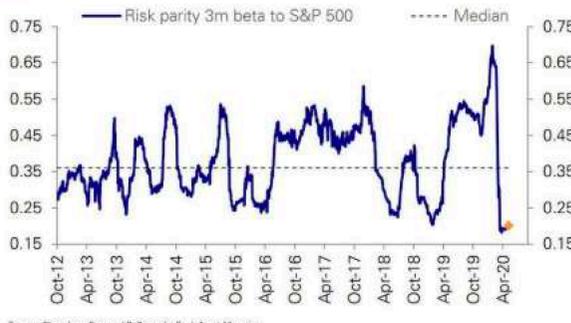


Figure 12: Positioning in equity futures has continued to decline



*Based on futures positions in S&P 500, Russell 2000, NASDAQ 100, S&P 400 and DJIA.
Positioning data as of 05 May 2020

Source : CFTC, Naver, Deutsche Bank Asset Allocation

Figure 14: Beta for equity long-short hedge funds also remains low



Source : Bloomberg Finance LP, Deutsche Bank Asset Allocation

Sentiment vs Stocks: biggest gap ever?

Maybe the model is broken?

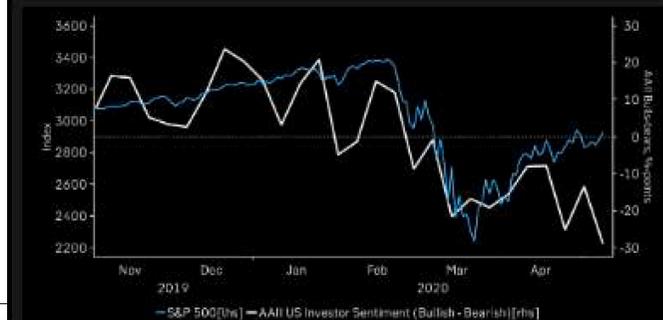
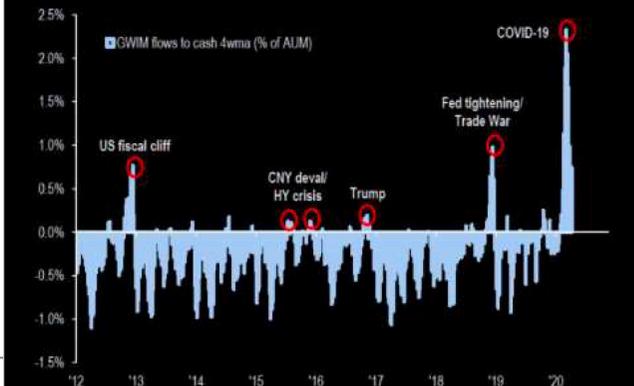


Chart 4: ...and GWIM flows confirm 2020 "dash to cash"



Source: BofA Global Investment Strategy, BAC internal data

Institutional investors are missing the rally

- Quite a good chart, also comparing the situation in Jan 2019:
- SPX vs Major Index combined hedger Position
- 40 Bio USD in equity index futures net short
- The chart is talking by himself actually



Tail Risk HF also so called “Black Swan” hedge funds

- After the market correction, Tail Risk HF are strongly marketing the strong positive performance of 2020
- The picture over few years still looks quite disappointing.....

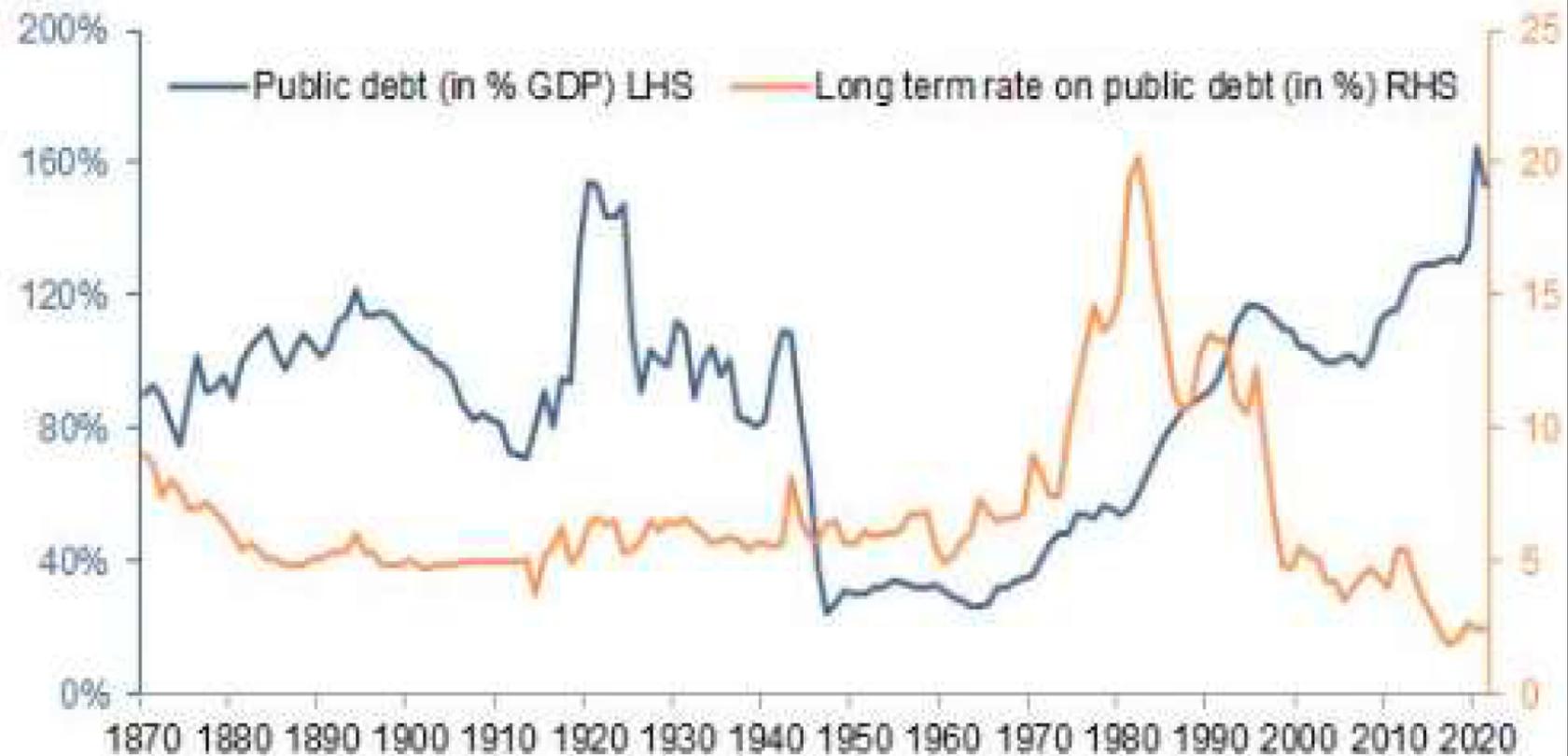


Italy

- Italy public debt might rise above 160% of GDP this year
- On the other hand, long-term interest rates should remain at historically low, thanks in part to the ECB.

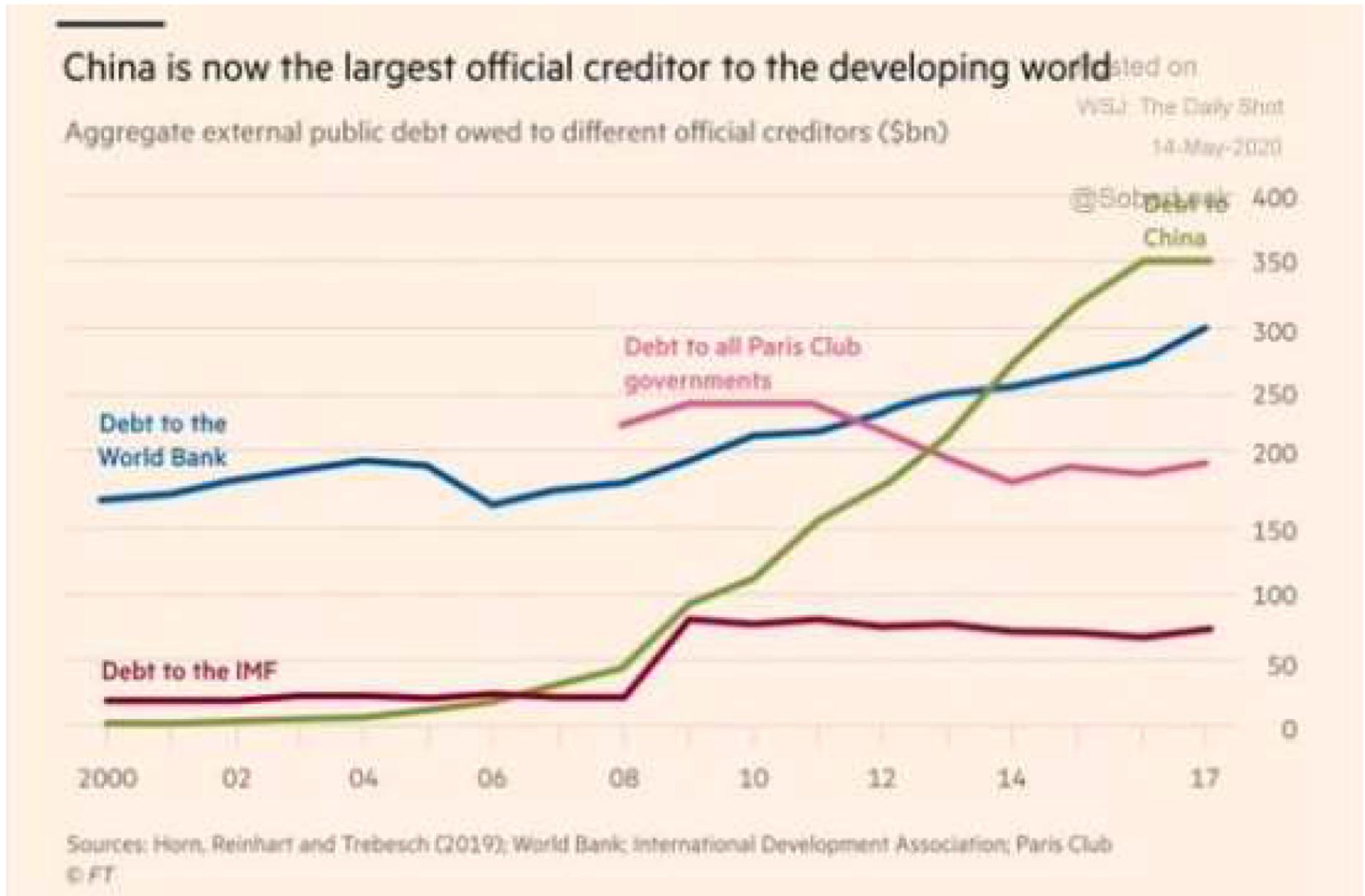
Italy's public debt: All-time high meets all-time low

Italy's public debt vs long-term government bond rates



Sources: Macroeconomic Database, Allianz Research

China is now the largest official creditor to developing world



Lower U.S. dollar ahead?

- Fed excess reserves suggest lower USD (source BofA)

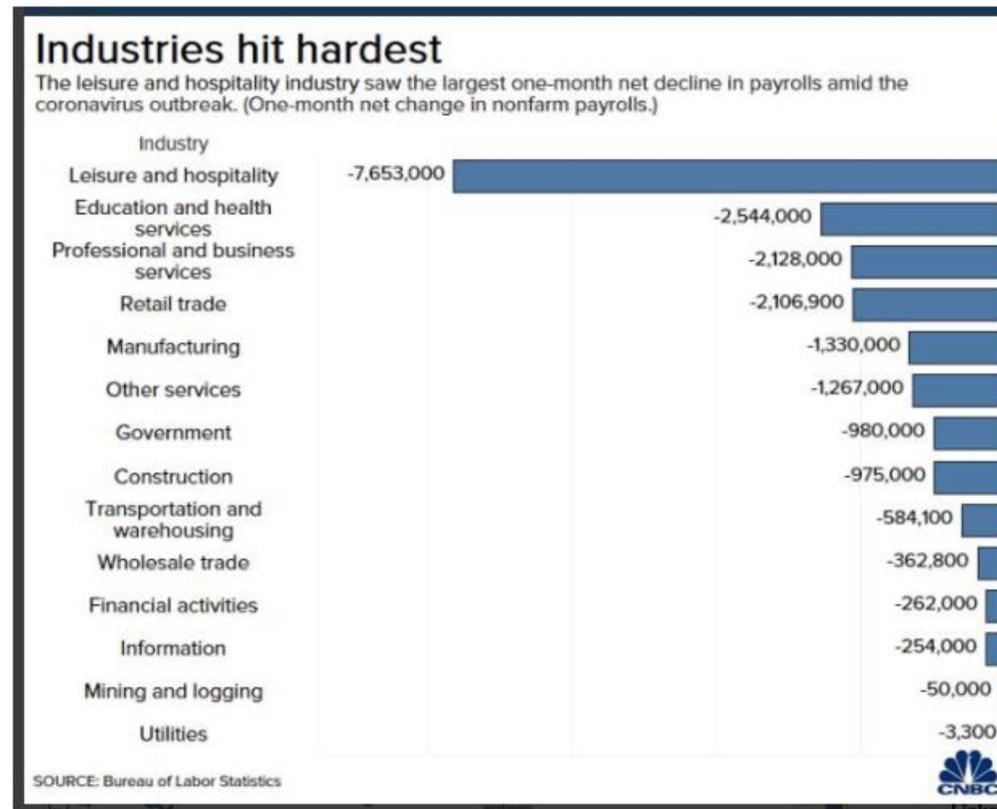


Which industries lost most of jobs?

- Leisure and hospitality, followed by Education and health services

US JOBS FOR APRIL...

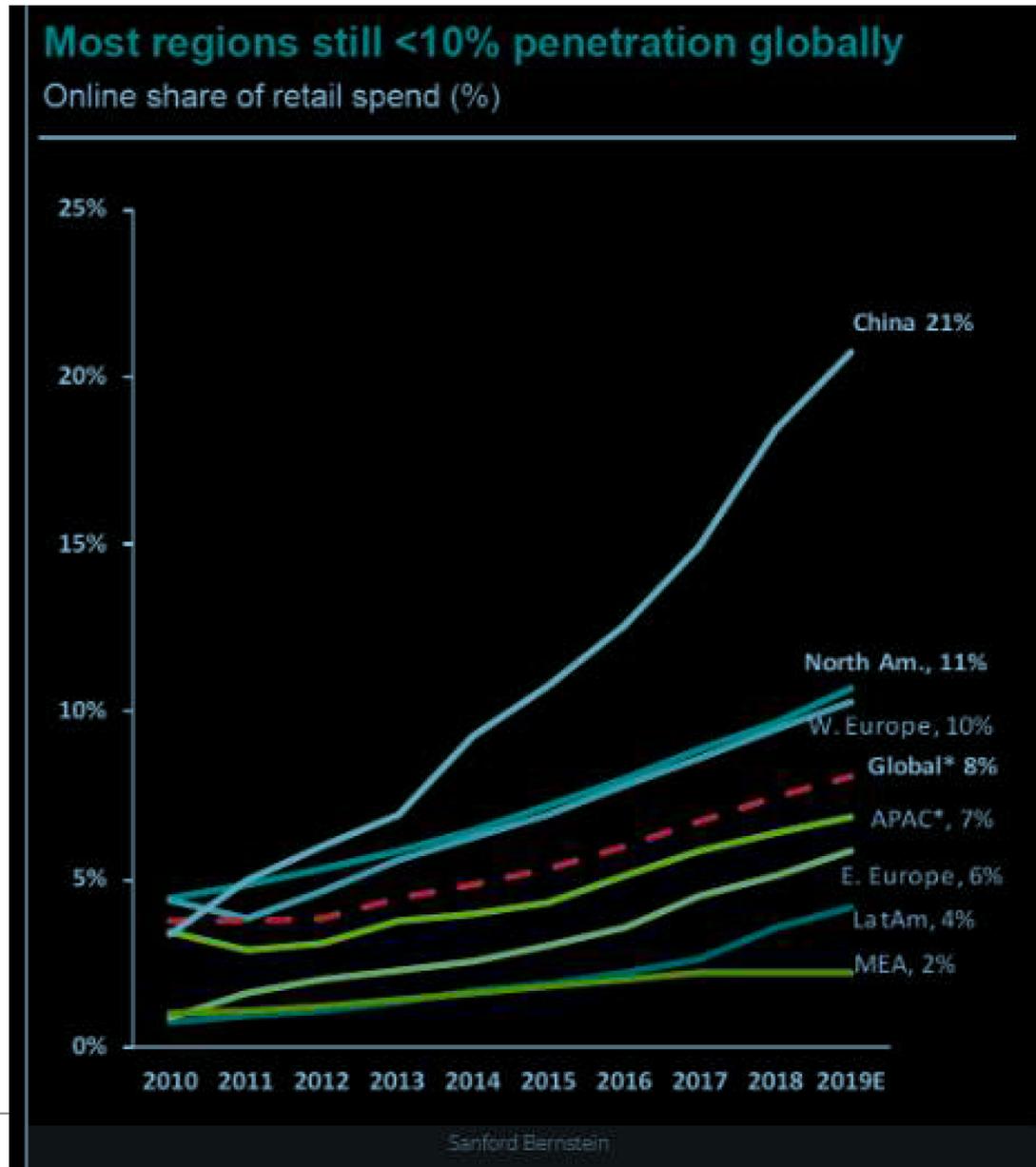
(source: CNBC)



The employment to population ratio plunged to a record low, with only 51.3% of the population working.

Shift to online retail

- Rest of the world still have a huge catch up to China: US Food & Beverage in US still at 2%



Goldman Sachs: risks remain

- As pointed out last week, Goldman Sachs has a 3'000 points target on S&P 500 for the end of the year, but see a 3 month target of 2'400 points.

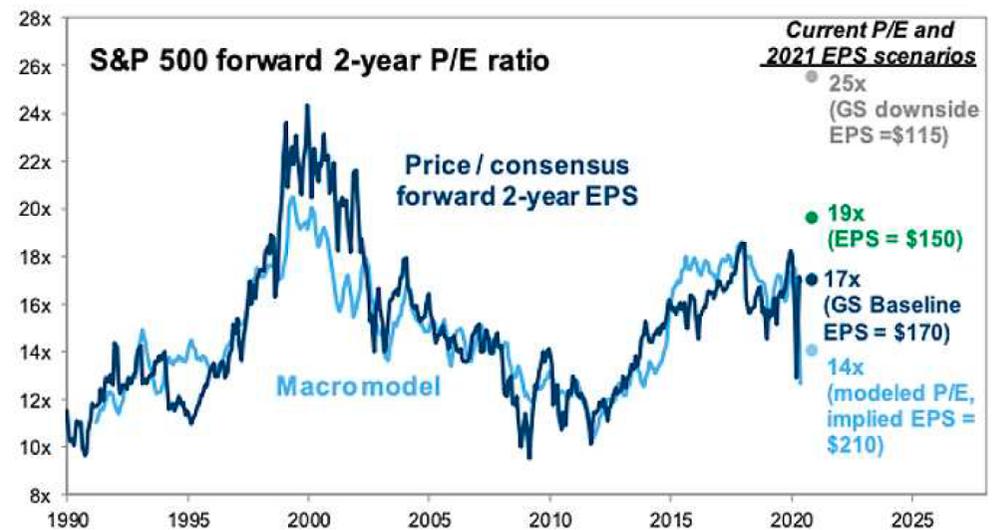
#INVESTMENT-STRATEGY

Kostin (Goldman Sachs): risks remain

"Legendary investor Sir John Templeton famously remarked: "Bull markets are born in pessimism, grow on skepticism, mature on optimism and die on euphoria." In six weeks, as the S&P 500 soared by 30%, investors have raced from despair at the bear market bottom to optimism about the economic re-start.

Our S&P 500 forecast shows 2% upside to a year-end 2020 target of 3000 but 18% downside to our three-month target of 2400. A single catalyst may not spark a pullback, but concerns exist that we believe, and our client discussions confirm, investors are dismissing including \$103 billion in expected bank loan losses in the next four quarters, lack of buybacks, dividend cuts, and domestic and globalpolitical uncertainty".

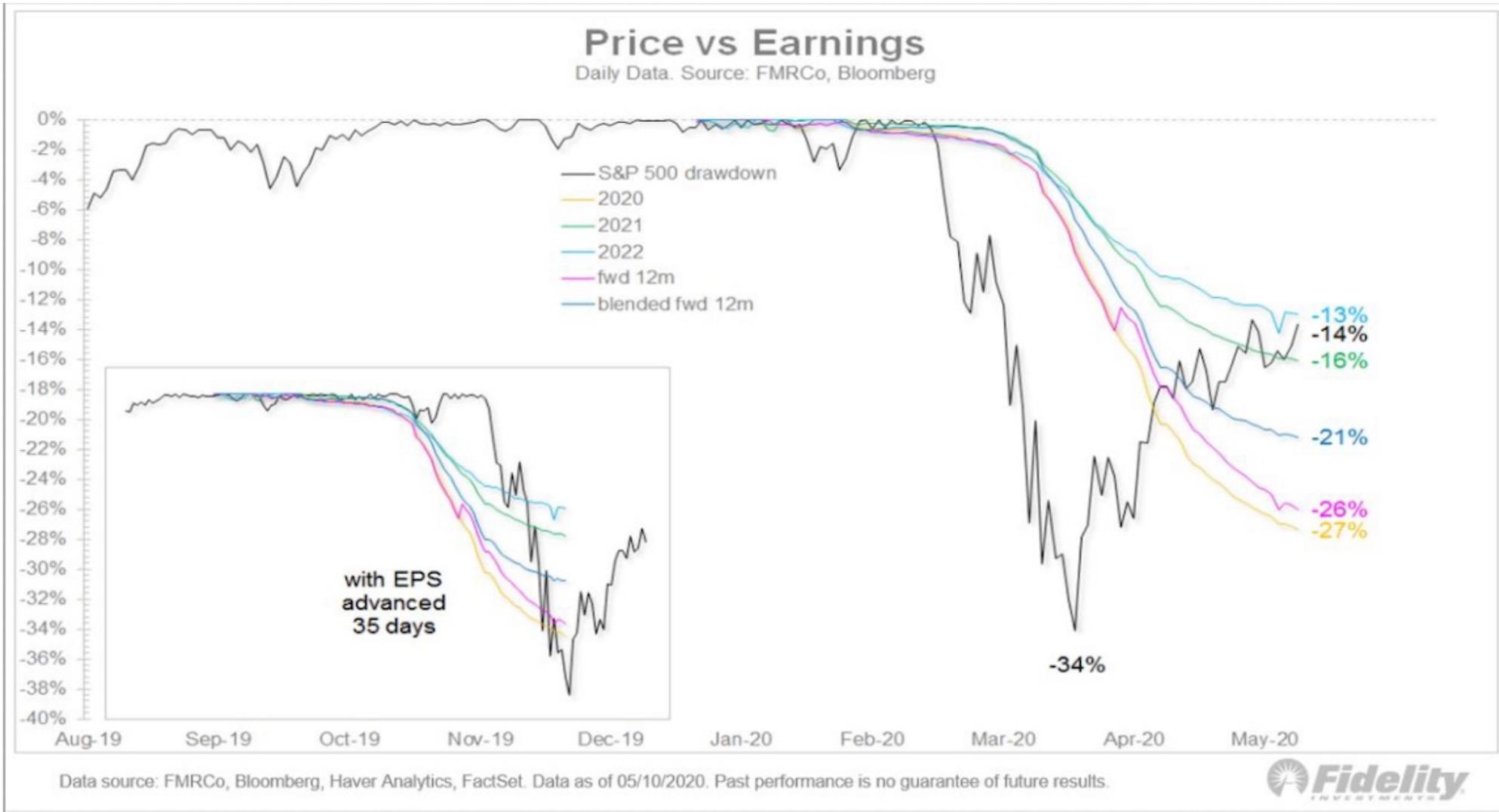
Exhibit 2: Current P/E valuation based on 2021 EPS scenarios as of May 7, 2020



Source: Compustat, IBES, Goldman Sachs Global Investment Research

Technical analysis: what is the market discounting?

- Market rebound already discounts EPS estimates for 2022 (-13%). - Source Jurrien Timmer of Fidelity Investments

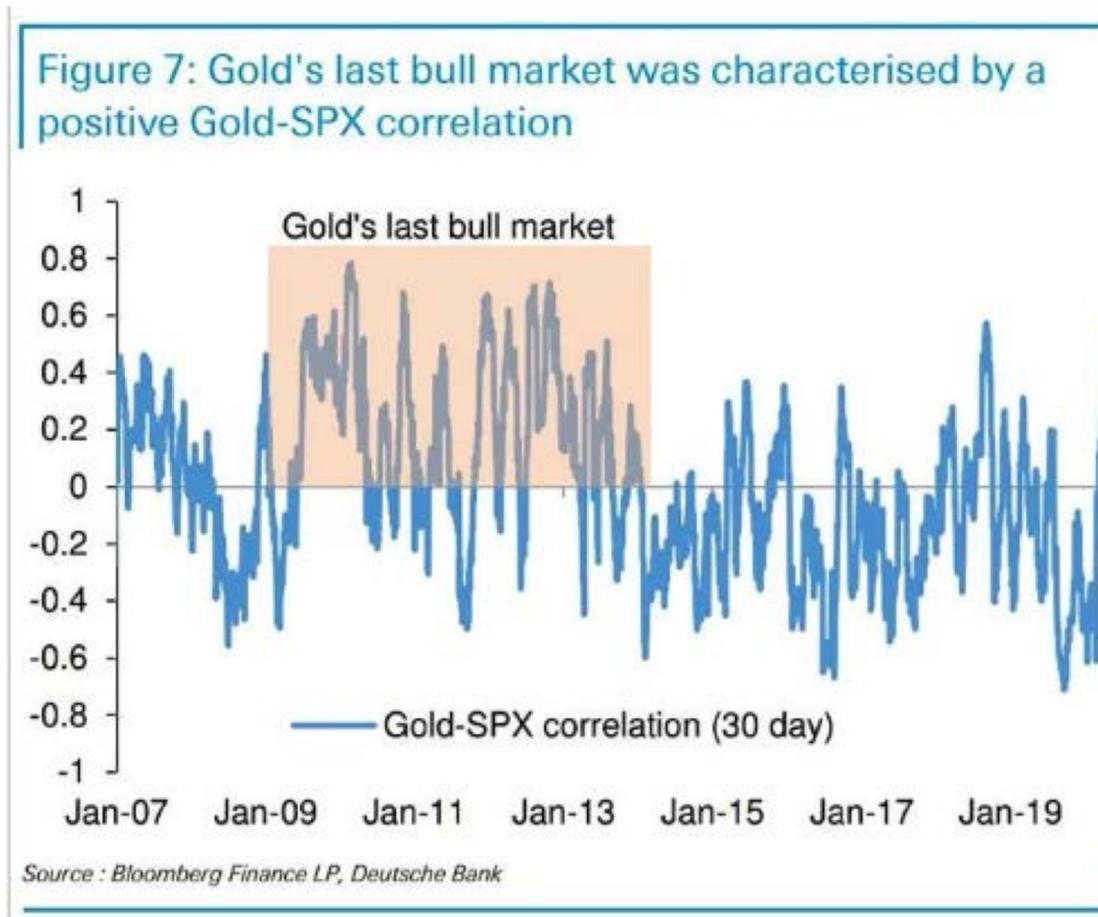


Technical analysis

- The correlation between Gold and the S&P 500 index does not have to be necessarily always negative

During the GFC, the correlation between gold and the S&P 500 was positive

(source: Deutsche Bank)



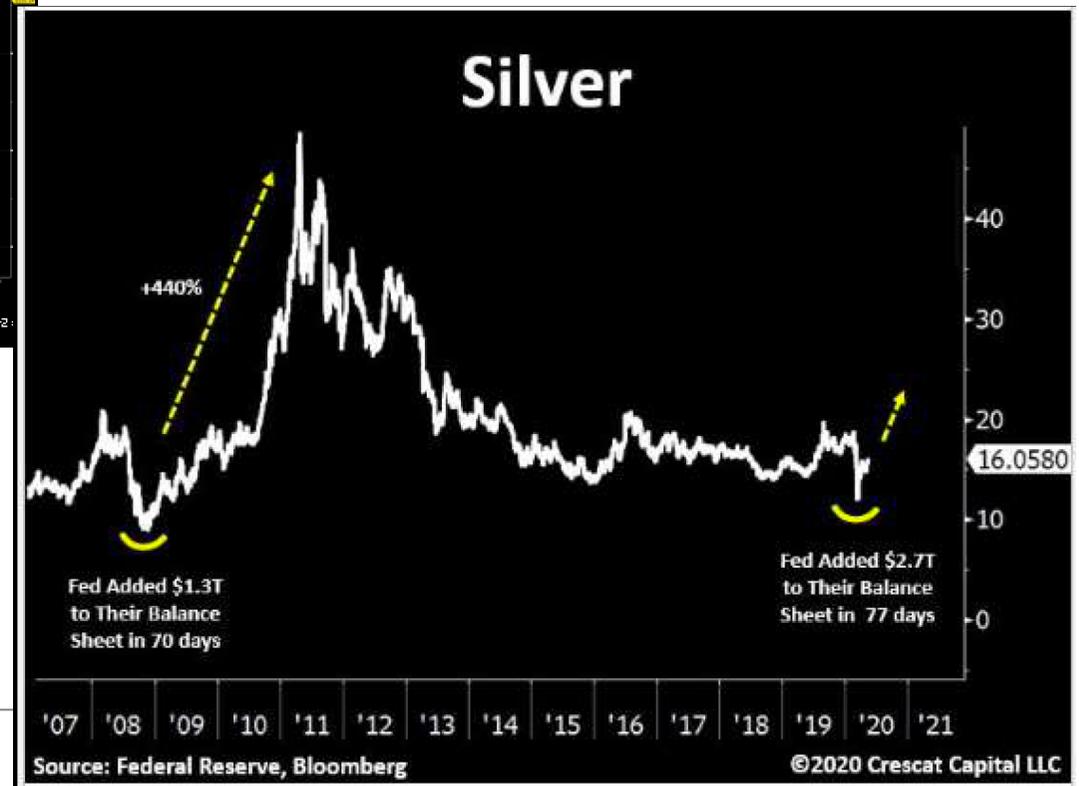
Technical analysis: correlation M2 vs Gold

- Interesting correlation from Nordea, Macrobond, which in our eyes makes perfectly sense: Money supply M2 suggests that the price of gold could rise further



Technical analysis: breakout of Gold

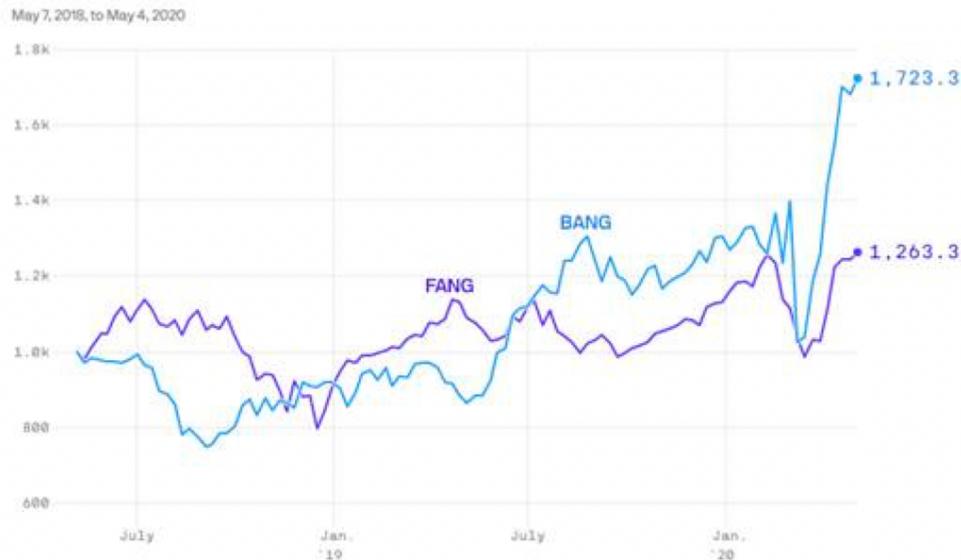
- Gold price is just breaking out. Next target 1'800 to 1'900 USD
- More upside potential probably by Silver? Again the chart of Crescat Capital of Silver: QE of 2008/2009 of 1.3 T USD vs today's QE of 2.7 T USD
- Also Bitcoin is attempting to to break out the resistance at 10'100 USD



Technical analysis: outperformance BANG

- Gold miners (BANG: Barrick, Agnico Eagle, Newmont and Goldcorp) are outperforming FANG stocks.
 - The gold industry is currently more profitable than at any point in recent history. In fact, Gold mines had to reduce CAPEX and sell non core assets during 2012 to 2015.
 - Gold has a strong negative correlation to US real interest rates (source: UBS)

FANG stocks vs BANG stocks



Reproduced from The Felder Report; Chart: Axios Visuals

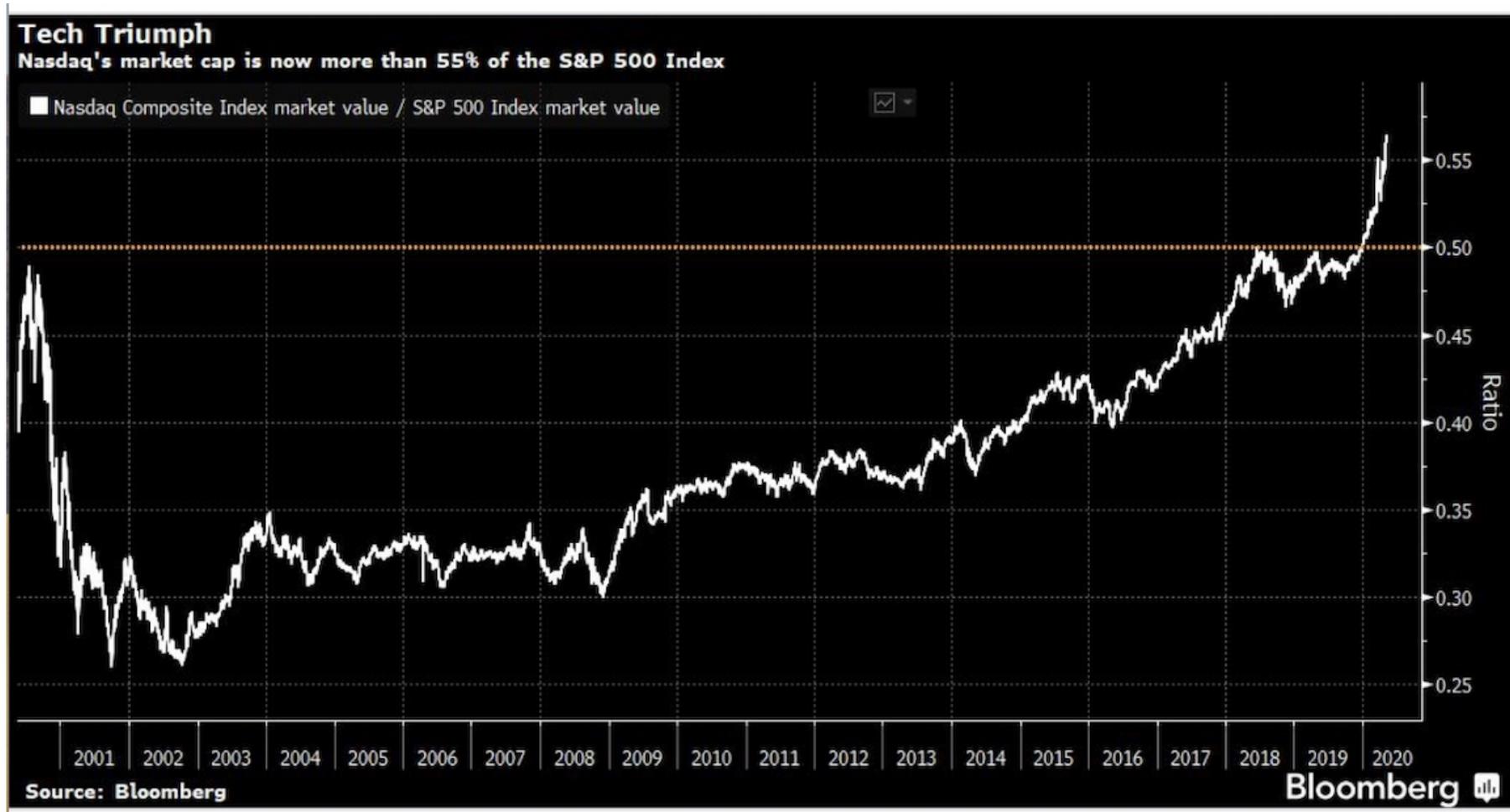
Low real rates should continue to support gold

Gold, spot price (USD/oz, lhs), 10-year TIPS yield, inverted (% , rhs)



Technical analysis: about sector rotation

- The Nasdaq Composite Index's market capitalization has risen to highest levels ever: 55% of the SPX Index value.
- On a short term view is the Tech trade probably overcrowded



Technical analysis: about sector rotation

- The ratio between the KBW Bank Index and the Nasdaq-100 Index closed at record lows, at 39% below the average for the past 200 trading days
- Strangely enough, yesterday Well Fargo had a +6% intraday based on rumours, Goldman Sachs could take over the bank.
- In addition to COVID19 financial distress, long term sectorial pricing pressure due to new online platforms and increasing costs, Banks' profitability is also hurt from negative interest rates. It is important to remember, banks profit depends on the absolute spreads of the yield curve, not on how low interest rates are.



Diverse: back to normality faster than expected?

Those are quite incredible news actually

Will we quickly come back to 'normal life' after all?

(source: Tao of Trading)

COMPLEX



THE STRAITS TIMES

ASIA > East Asia SE Asia South Asia Austr

Carnival Cruise Line's August Return Announcement Sees Huge Influx of Bookings



BY JOE PRICE
warm apple night @BackwoodsAltar

May 10, 2020



Image via Getty/Photo 12Wire

Last month, Carnival Cruise Line announced it would resume their cruises by August. While that might sound a little premature

Boost your diet with Good Base Korean red ginseng with pomegranate

READ ON

Shanghai Disneyland tickets sold out in minutes for reopening



The theme park is implementing safety measures, including limiting visitors to one-third of the normal capacity of 80,000. PHOTO: AFP

Conclusions

- The massive underweighting of equity of institutional investors is actually a "ticking bomb" for a further upside of markets actually!
- News on vaccine various vaccine trials are expected around end of June / July.

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