

GENERAL INVESTMENT CLIMATE

The Economy

New year, new hope. The datapoints that were published by major economies like Germany and the United States showed a glowing economy with US unemployment and German Ifo data coming in hot. Just recently, the IMF came out with their upgraded GDP projections from 5.5% to 6% growth of world GDP in 2021. India is even expected to grow at an astonishing pace of 12.5% this year. All things shiny and rosy. A roaring twenties scenario slowly takes hold. One essential part lagging is the vaccination campaign. Especially in Europe, where the red tape and naiveté in the signing of contracts with the multinational vaccine producers seems to revenge itself. While the UK, the US, and several Eastern European countries have procured sufficient vaccines (sometimes sourcing from Russia or China), Western Europe struggles to get their population vaccinated. Whether this will show to be a grave miscalculation is yet to be decided but youths in many European capitals are not having it anymore. While governments are announcing stricter measures again, clashes between youngsters and the police are becoming a frequently returning news topic. Save to assume that politicians do not mind the recent snowfall one bit as it keeps people from gathering outside.

While some parts of the economy are still closed, most listed companies are showing resilient to very positive results. Base effects will soon prove to be a tailwind for many companies that did suffer at the end of the first quarter of last year while Covid winners are still profiting from a continued acceleration of their business model. The few preliminary numbers that have been published so far show promise indeed. Another trend that shows promise is the rise of newly formed companies. According to the Dutch financial newspaper 'Het Financieele Dagblad', the first quarter of this year showed an 8% rise of new starters compared to last year. In addition, bankruptcies decreased 48% versus last year. One might believe that the latter evolution is positive but the main reason for it can be found in government support measures rather than in economic prosperity. As a result, it is likely that sooner or later an avalanche of bankruptcies will hit. If not, the zombification of the economy continues and that doesn't create any real economic growth or progress either.

On the back of the US SPAC craze at the end of 2020, Europe now witnesses its own, albeit a more modest version. While the US is in the stage where financial masterminds like Serena Williams get involved in SPACS, Europe is still only in the initial innings with people like the former Commerzbank CEO setting one up. All to say that central bank's easy money policy definitely has not changed.

Now, we couldn't possibly write about the first quarter without mentioning the global supply chain. While it has been clear for a while that the supply chain has been disrupted due to Covid-19, it was largely related to transport difficulties. Today, we start to see the effects of companies' decisions to scale down production last year. Consciously or not. The big issue today is the (micro)chip shortage. In today's world of connected devices, there are few products that do not need chips. Needless to say that the blocking of the Suez Canal by the Evergreen ship added oil to the fire.

Currency and Money Markets

As interesting as the economic events and stock market events have been lately, so uninspiring has the currency market been. The major currencies have been largely stable over the past months. The dollar recovered a bit of its lost ground and the Euro lost some value in return. A good market for carry strategies, not a good market to write about.

The money markets in turn, woke up from their beauty sleep. In our last report we mentioned the creeping up of longer-term yields and that trend manifested itself further in this past quarter. While the US 10-year note was trading at just under a 1% yield at the start of the year, it is now trading at 1.67%. A decent yield rise and a sign of rising inflation expectations and an expanding economy.

In Europe we saw a similar trend although less pronounced due to the ECB policy remarks. Bond yields in Europe dropped rapidly while Lagarde announced more aggressive bond buying on March 11th but yields have since climbed back up. Her challenging investors by saying on Bloomberg that “investors can test us as much as they want” might not have been that wise.

Stock Markets

Table 1.1 - General

	31/mrt/21	31/dec/20	30/sep/20	30/jun/20	31/mrt/20
		- 3 mnth	- 6 mnth	- 9 mnth	- 12 mnth
AEX	699,85	12,05%	27,78%	25,03%	44,76%
BEL20	3899,48	7,68%	20,52%	17,17%	34,39%
DAX	15008,34	9,40%	17,61%	21,91%	51,05%
EU50	3866,00	8,82%	21,05%	19,54%	38,72%
DJ	32981,55	7,76%	18,72%	27,77%	50,48%
SP500	3972,89	5,77%	18,14%	28,15%	53,71%
Nasdaq	13091,44	1,58%	17,23%	30,15%	70,02%
EUR/USD	1,17	-4,23%	-0,18%	4,15%	6,06%
Euribor 3 months	-0,54	0,01	-0,04	-0,12	-0,18
NL govt 10 year	-0,24	0,25	0,17	0,06	-0,02

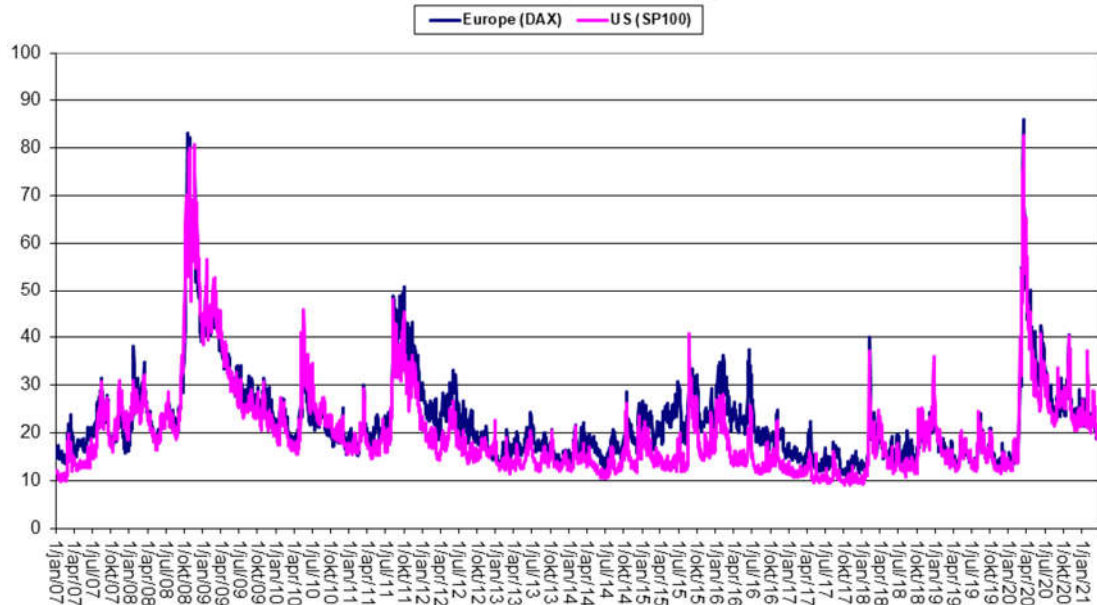
All-time highs! We started our last report with the exact same words. This time however, the Dutch AEX index has also joined the all-time high club. The composition of the Dutch index including more and more technology related companies might have something to do with it.

All-time highs naturally attract the inflow of non-professional investors and traders and that could be witnessed in the GameStop saga. Remarkably enough, all-time highs are not typically associated with uncovering blatant fraud or blow-ups. Germany has seen its fair share with debacles like Wirecard and Greensill, but also two major hedge funds blew up in the last months.

Implied Volatility

The volatility profile has finally taken out that 20 level in the past weeks despite some volatility spikes in earlier weeks. Investors have regained confidence in the stock market future.

Table 1.2 Development of the implied volatility jan 07 - mrt 21



The Long Term

The AEX index is still trading well above its 200-day moving average. Worries have no place in this market.

Table 1.3 Long-term development AEX jan 03 - mrt 21

