

GENERAL INVESTMENT CLIMATE

The Economy

On the road again! With the Delta variant largely contained in Europe, the summer over, and schools starting physical lessons again, traffic jams are back like they never left. A 'back to normal' situation that feels like we have successfully passed the corona period and the only way is up. The economy has shown exactly that. Blazing hot activity. Companies showed at the least large recoveries from a year ago but most did much better with record numbers. The medical suppliers benefitting from Covid testing were the grand winners again but companies related to a hot housing market did well too.

A downside of so much activity is that the supply can't keep up with demand. We already alluded to higher raw material and shipping prices last quarter but these haven't abated just yet. If anything, the situation has deteriorated again from July onwards.

With Asia and particularly China serving as the world's production hub, their Covid policies impact us all. In August, China locked down part of the world's third largest port in Ningbo for a couple of weeks because of a single corona infection. While experts claim that this particular instance didn't have much impact on the global supply chain, cargo ships waiting to dock in for example the major import port of the US (Long Beach near Los Angeles) has risen since July after steadily declining into July. With global trade so interconnected this gives an indication of freight rate levels and of delayed delivery times for all kinds of goods. Production might thus continue to be hampered going forward and inflation might not decrease as soon as central bankers would like it too. Even with their distorted CPI measure, inflation numbers have been higher today than in the past decade. This inflation is now starting to impact family budgets. Energy and grocery bills will, amongst others, become more expensive and consumer confidence data is showing weakness.

With the economy running on all cylinders and inflation rising, the FED has been put under pressure to dial back support measures. At the latest virtual Jackson Hole meeting, chairman Powell indeed mentioned that they are "thinking about tapering" but for now, the famous 'money printer go brrr' expression can still be widely used by Wall Street. Christine Lagarde on the other hand was in no such mood to think of dialling back any support measures just yet. European bond purchases will continue as before.

While the West is supporting its financial markets the Chinese have been found to impact its financial markets in the opposite way. When recently introducing measures to stop children from gaming more than three hours a week, shares of gaming companies sold off rapidly. E-commerce giant Alibaba was one of the first companies in the crosshairs of the CCP, many seem to follow suit more recently. Evergrande, China's largest real estate developer with a massive debt burden of over 300 billion US dollars, is on the verge of collapse at the time of writing and the markets have no belief that the Chinese government will come to their rescue either.

Oil, like most other commodities is still trading at high levels but is not rocketing higher anymore to the extent they did in the first half of this year.

Currency and Money Markets

Despite the divergent speeches of both central bank chiefs, the dollar has not gained much ground. Once again the euro lost just a bit of its value and now trades around 1,17 USD. The pound kept very stable versus the euro and hasn't moved much since April this year.

In the money markets, things are still moving. The US 10-year yield traded at 1,15% for a moment during august and has since recovered to 1,33%. The yield on the Dutch note moved similar in the past months. It ticked -0,5% in August and has since recovered to a level of -0,2%.

Stock Markets

Table 1.1 - General

	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20
		- 3 mnth	- 6 mnth	- 9 mnth	- 12 mnth
AEX	771,94	5,81%	10,30%	23,59%	40,94%
BEL20	4158,89	0,80%	6,65%	14,85%	28,54%
DAX	15260,69	-1,74%	1,68%	11,24%	19,59%
EU50	4048,08	-0,40%	4,71%	13,95%	26,76%
DJ	33843,92	-1,91%	2,61%	10,58%	21,82%
SP500	4307,54	0,23%	8,42%	14,68%	28,09%
Nasdaq	14448,58	-0,38%	9,07%	12,11%	29,38%
EUR/USD	1,16	-2,34%	-1,28%	-5,21%	-1,20%
Euribor 3 months	-0,55	0,01	-0,01	0,00	-0,05
NL govt 10 year	-0,08	0,03	0,16	0,41	0,33

And once again we have been gifted a number of new all-time highs during the last quarter in most indices important to us. While the Chinese stock market has been taking serious hits, developed indices keep pushing higher. Under the hood the picture is a bit more mixed. The consumer cyclical sector has underperformed while the technology sector is leading the way as the only major sector that is outperforming the index. Car and auto part companies have been a drag on the cyclical sector and the supply chain issues are an important factor in that. This hasn't stopped the indices from new all-time highs though.

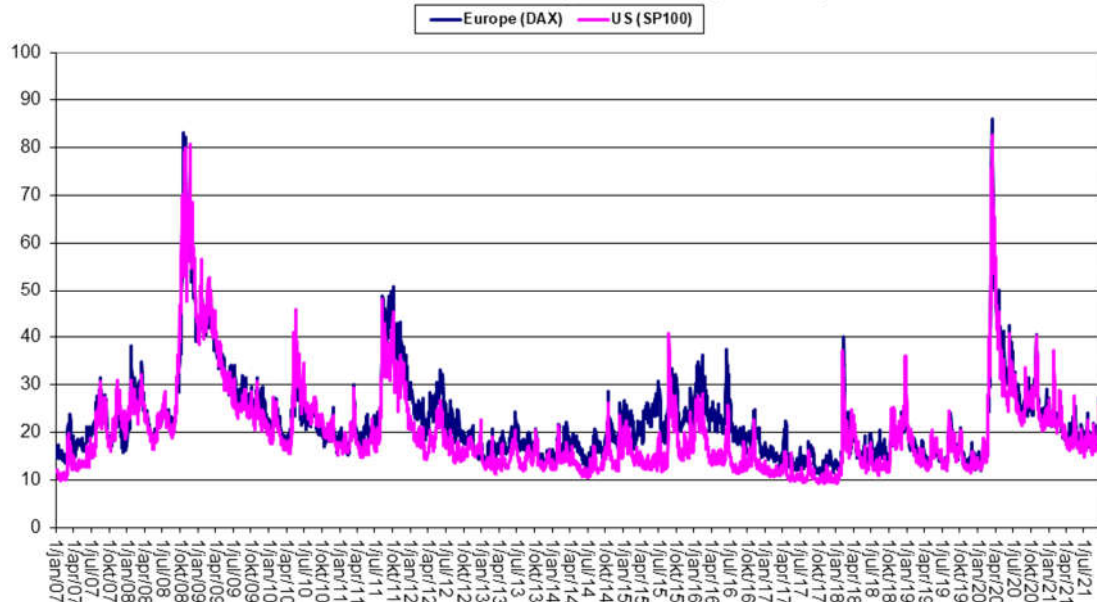
Another sign of increased confidence in the markets is the fact that acquisitions are picking up again after a quiet period. Zooplus, the European market leader in online pet food is subject of a bidding war between several private equity firms which drove the stock price up to unprecedented levels.

Money is flowing again and it shows. Also in digital assets. For those of you not familiar with the relatively new digital art market or NFT (Non-Fungible Token) market, it is booming. NFT's are being sold for millions of dollars on a blockchain and even Messi got part of his remuneration paid in the cryptocurrency linked to Paris Saint Germain.

Implied Volatility

With the fear of contagion increasing as a result of the Evergrande collapse at the end of September, the volatility index rose to levels not seen in a long time. Most Wall Street analysts however are of the believe that contagion is very limited.

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



The Long Term

The AEX index is still trading well above its 200-day moving average. Albeit a bit closer to it and thus more sustainable.

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

