

MARKET REVIEW

Economists become epidemiologists

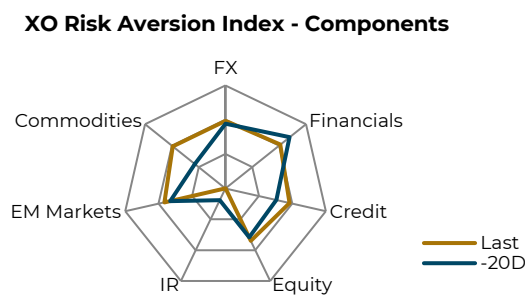
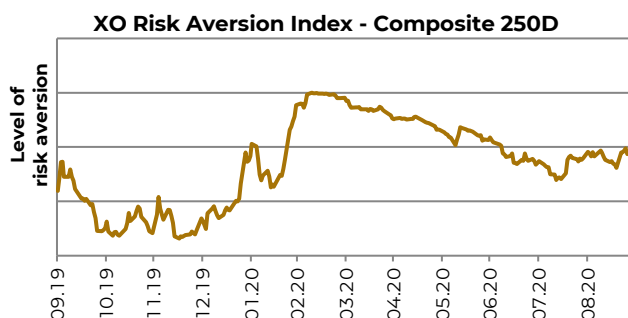
The markets, having regained some color this summer 2020, are becoming dependent, no longer on the statements of economists, but on the statements of epidemiologists. Every fear of reconfinement is painfully experienced and the Covid-19 figures are now more scrutinized than economic figures. It is obvious that bad pandemic figures can have repercussions on the economy. And it is this pessimistic dynamic that negatively pushed the stock indices into the red in the first three weeks of September. The last days of the month, however, helped to dampen the result.

After months of turmoil, the USD is recovering. This strengthening is partly responsible for the weakening of American equities, which will be penalized by an increase in export prices. Raw materials, which traditionally move in the opposite direction to the USD, are also bearing the brunt of this movement.

Interest rates fell in the last month of the summer, allowing bonds and equities to perform positively.

Our risk indicators rose slightly, especially for commodities.

	Value	September	2020
Equity markets			
Switzerland (SMI)	10 187	0.51%	-4.05%
United States (S&P500)	3 363	-3.92%	4.09%
Europe (Euro Stoxx 50)	6 908	-2.33%	-13.11%
Japan (Nikkei)	23 185	0.20%	-1.99%
China (Shanghai SE)	3 218	-5.23%	5.51%
Brasil (Bovespa)	94 603	-4.80%	-18.20%
Currencies			
USD/CHF	0.921	2.06%	-4.66%
EUR/CHF	1.079	0.07%	-0.51%
GBP/CHF	1.190	-1.50%	-7.23%
EUR/USD	1.172	-1.86%	4.39%
Other asset classes			
Swiss Real Estate		3.51%	2.30%
Swiss Bonds		0.80%	0.38%
Foreign Bonds		0.28%	3.31%
Commodities		-3.64%	-33.38%
Oil	40.22	-5.61%	-34.13%
Gold	1 897.90	-3.75%	24.63%
Rates / Indicators			
10 years Swiss rate		-0.49%	-0.47%
10 years US rate		0.68%	1.92%
US Unemployment		8.40%	3.50%
US GDP		-9.00%	2.30%
US CPI		1.70%	2.30%



ONCE UPON A TIME IN THE UNITED STATES

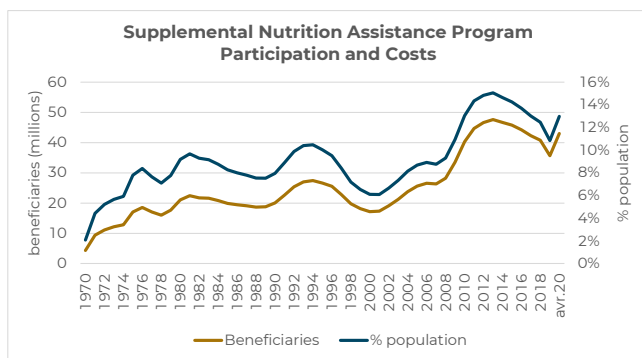
The American presidential campaign is a real western : insults, nicknames, fratricidal duels, all blows are allowed. In a climate of unprecedented community tensions, at the heart of an economic crisis never seen in a century, American ills are resurfacing in an America that can quickly turn violent.

A few weeks away from a presidential election that seems very indecisive, the United States is facing a major crisis. Tensions are mounting in a country that is facing two problems , which have the ability to influence the results of the November election : poverty and crime. Problems that could even lead to social tensions never seen before in the country.

A food program that explodes

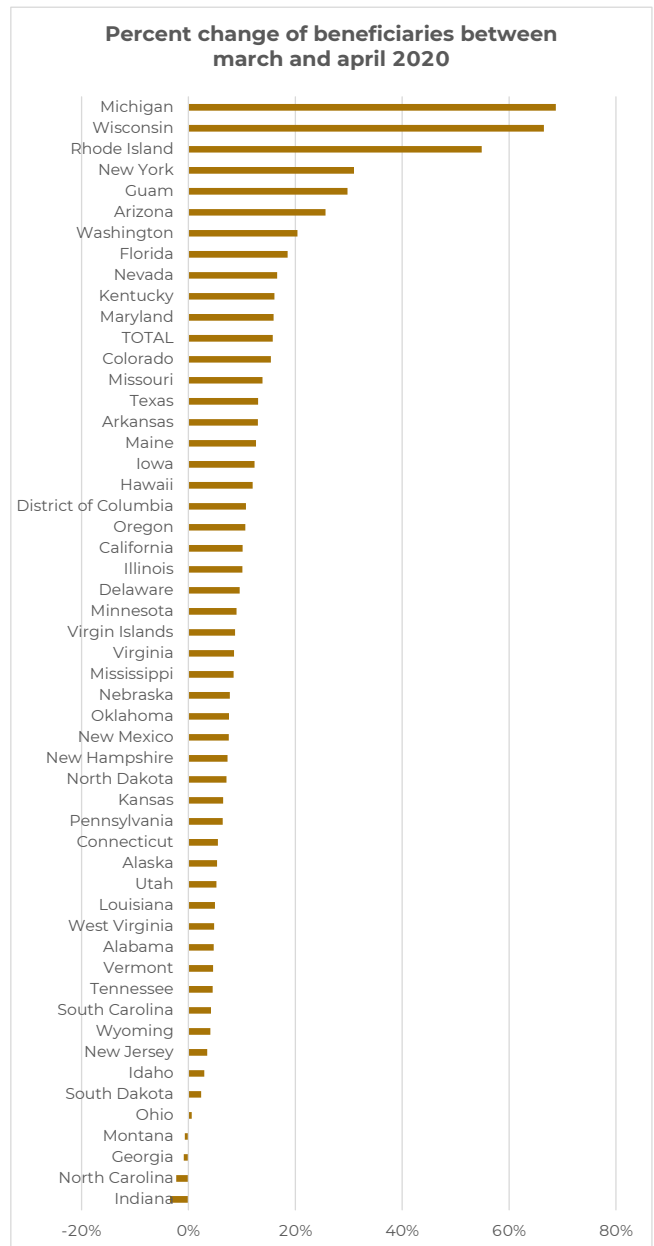
The health crisis hit the United States hard in the spring. In contrast to Europe, the social safety net in the United States is almost non-existent, with the newly unemployed finding themselves almost instantly without money. The only aid offered by the US government is the Supplemental Nutrition Assistance Program (SNAP), a food aid program.

The number of beneficiaries and the proportion of the population in this food program have been steadily increasing for 40 years. The crisis has obviously pushed a large number of households towards this assistance. In April 2020, there are nearly 45 million people who depend on aid to eat.



Source : SNAP, FMI, XO Investments

The world's leading economic power thus sees 14% of its population having to go to a food bank a few days after the beginning of the economic crisis in March. This inequality disparity within the country is quite significant. Some states have seen the number of SNAP beneficiaries increase by more than 50% in one month.



Source : SNAP, XO Investments

A violent and communalised country

2020 is also marked by significant social tensions within the country. The "Black Lives Matter" movement is one of the symbols of this. Bellicosities are multiplying in a communalised country that resembles a powder keg, given the large number of weapons in circulation. They are estimated at 357 million in 2015 by the Washington Post, or more than one weapon per inhabitant.

The gun lobby (NRA - National Rifle Association)

is a powerful pressure group that weighs in during a presidential election with its 4 million members. With 89% of the population owning a gun, it is also understandable that ethnic tensions can quickly become bloody.

Ranking	Country	% population owning a gun
1	United States	89%
2	Serbia	58%
3	Yemen	55%
4	Chypre	36%
5	Saoudi Arabia	35%
6	Finland	34%
7	Iraq	34%
8	Uruguay	32%
9	Sweden	32%
10	Norway	31%
14	Germany	30%
18	Switzerland	24%
41	France	15%
53	Italy	12%
72	Brazil	8%

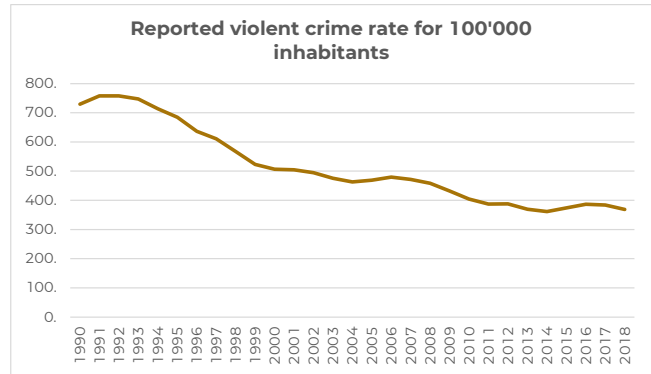
Source : Variées Ingraham, Christopher (5 October 2015). "There are now more guns than people in the United States". The Washington Post. ISSN 0190-8286. Retrieved 5 October 2015, , Wikipedia.

Despite this, the country is not the most violent in the world. South America and the Caribbean are well ahead of it in this nightmarish ranking.

Ranking	Country	Firearm homicide rate (for 100'000 inhab.)
1	Salvador	82.8
2	Honduras	56.5
3	Virgin Island	52.6
4	Venezuela	56.3
5	Jamaica	47.0
6	Lesotho	41.3
7	Belize	37.6
8	Saint Vincent	36.5
9	Saint christophe	34.2
10	South Africa	34.0
13	Brazil	29.5
90	United States	5.4

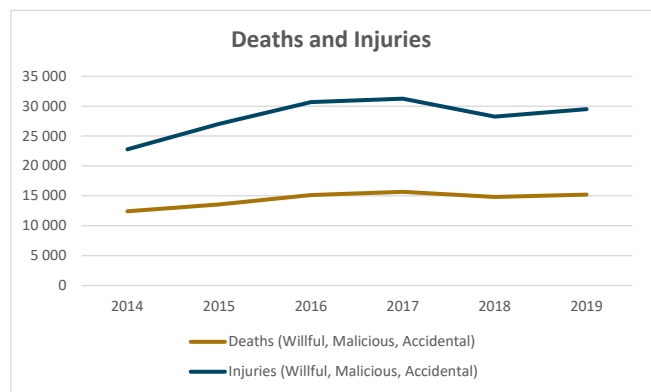
Source : Wikipedia

The rate of violent crime declined between 1990 and 2010. Police efforts in the effected suburbs of major U.S. cities have been beneficial. One example is the zero-tolerance program in New York City. This program had reduced homicides by 65% in 7 years.



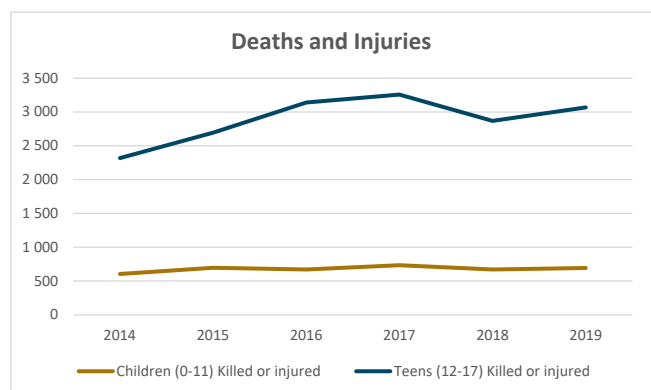
Source : FBI, XO Investments

Unfortunately, in recent years, the number of people injured or killed by firearms has again been on the rise.



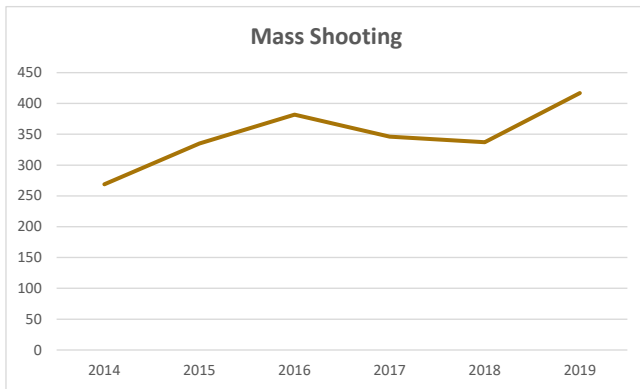
Source : Gun Violence Archive

In 2019, nearly 30,000 people will have been injured (intentionally or unintentionally) by firearms, and nearly 15,000 people will have died. Children and adolescents are increasingly affected.



Source : Gun Violence Archive

Finally, mass killings are on the rise. They exceed the figure of 400 in 2019. These massacres plunge the country into mourning on average every day of the year.

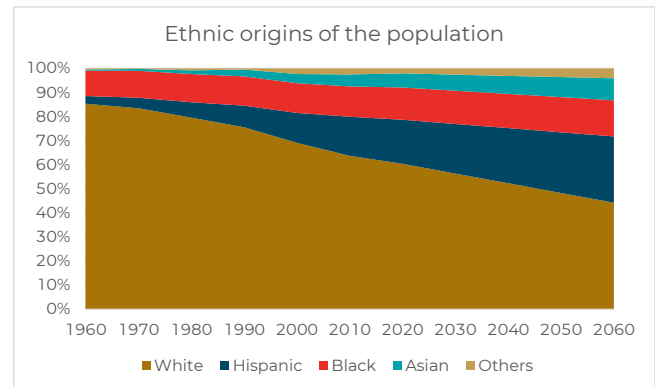


Source : Gun Violence Archive

A fractured country

The United States is a fractured country. Communities are increasingly opposed. They identify themselves more by their differences (skin color, origins) than by what unites them (belonging to the same country, values of freedom). Ethnicity is a political marker in the United States, hence its importance in the next election. They are a factor of balance in the country, or of imbalance if the political authorities are no longer in adequacy with the population. Many countries have experienced

regime reversals, particularly in the Middle East, when origins, languages or religions changed in the country.



Source : Census Bureau, XO Investments.

The November election could be a remake of Sergio Leone's film "The Good, the Bad and the Ugly". It could be renamed in today's environment as "The President, the Poor and the Criminal", or how a president can succeed in bringing voters together in a country where violence is on the rise and hunger can resurface in the midst of a crisis.