

MARKETS REVIEW

Halloween was in September this year, not October

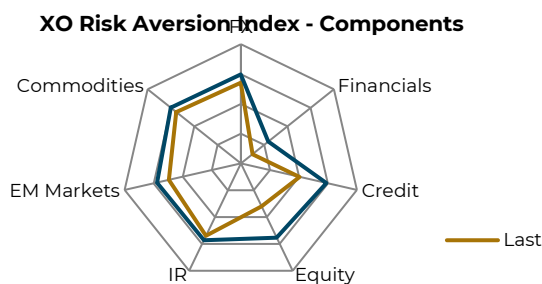
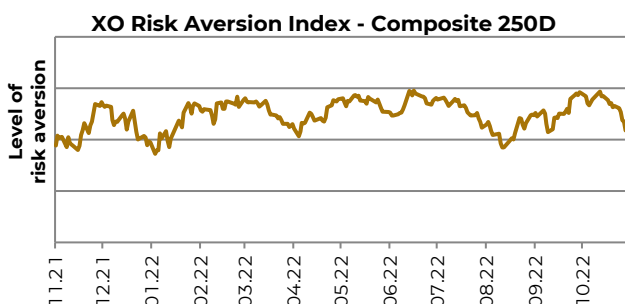
October is traditionally the month of financial market disasters: October 1929, 1987 or 2008 remain the worst financial market performances. In 2022, it seems that September anticipated the phenomenon, to let October start a recovery base ! After 9 terrible months, stocks posted the best monthly performance of the year. However, they remain heavily negative with losses of around 17% in the western markets.

Interest rates are rising. The ECB raised its key rates by 75 basis points during the month, the largest increase in its young history. Swiss 10-year yields are easing, allowing bond indices to stabilise losses. The Swiss real estate followed the same pattern, which posted an annual performance similar to that of the Swiss equity market.

Currencies, after sharp movements throughout the half-year, are relatively stable. Finally, in commodities, oil is recovering after a few weeks' pause and gold seems to have bottomed out.

The risk indicator remains high on all parameters.

	Value	October	2022
Equity markets			
Switzerland (SMI)	10 828	5.46%	-15.90%
United States (S&P500)	3 872	7.99%	-18.76%
Europe (Euro Stoxx 50)	8 180	9.09%	-13.82%
Japan (Nikkei)	27 587	6.36%	-4.18%
China (Shanghai SE)	2 893	-4.33%	-20.50%
Brasil (Bovespa)	116 037	5.45%	10.70%
Currencies			
USD/CHF	1.001	1.42%	9.65%
EUR/CHF	0.990	2.30%	-4.62%
GBP/CHF	1.148	4.14%	-6.92%
EUR/USD	0.989	0.87%	-13.04%
Other asset classes			
Swiss Real Estate		-1.11%	-17.68%
Swiss Bonds		0.67%	-11.04%
Foreign Bonds		-0.63%	-14.14%
Commodities		6.70%	29.97%
Oil	86.53	8.86%	15.05%
Gold	1 635.55	-1.51%	-10.59%
Rates / Indicators			Δ
10 years Swiss rate		1.16%	1.30%
10 years US rate		4.05%	2.54%
US Unemployment		3.50%	-0.40%
US GDP		1.80%	-3.90%
US CPI		6.60%	1.10%



CITIUS, ALTIUS, FORTIUS

The football World Cup in Qatar is the event of all superlatives, breaking all investment records for such a project in a rich country.

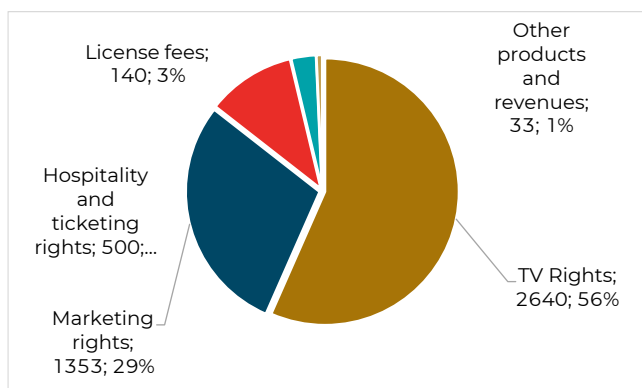
A pharaonic budget

« Citius, Altius, Fortius – Communiter », « stronger, higher, faster – together ». The Olympic motto is still in tune with the times, but perhaps not in the same spirit. The football World Cup in Qatar, which starts in November 2022, could become a symbol of the gigantism and the explosion of money spent on sport.

Sport has become a financial sector in its own right in recent decades. Budgets are being blithely exceeded and growth is still accelerating. From Pierre de Coubertin's "the important thing is to participate", we have moved on to exacerbated competition and gigantic, pharaonic budgets. The football World Cup, like the Olympic Games, has become the most glaring example of this.

FIFA's budget for 2022 is USD 4.6 billion. 56% of the revenue comes from TV rights and 29% from marketing rights, a sign that football has become a business like any other. World Cup ticketing and hospitality packages account for 500 million, but only 11% of revenue.

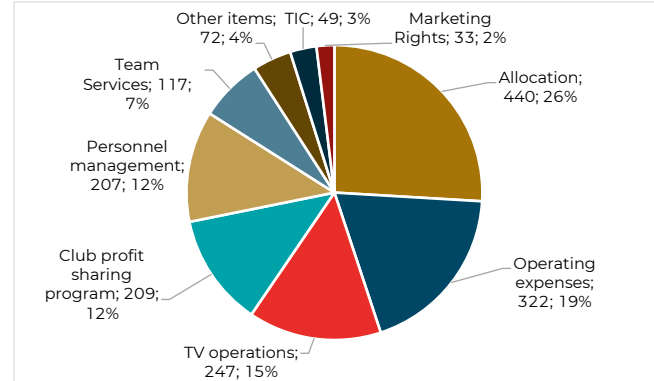
FIFA's 2022 budget (billions USD)



Source : FIFA, XO Investments SA

In terms of expenses, FIFA's expenditure for this World Cup in Qatar amounts to USD 1.7 billion : divided between endowments of 26%, operating expenses of 19% (transport, ticketing, insurance, etc.) and operational expenses of 15%. This is the major event of the 2019-2022 cycle for the international organisation.

2022 World Cup expenses budget (billions USD)

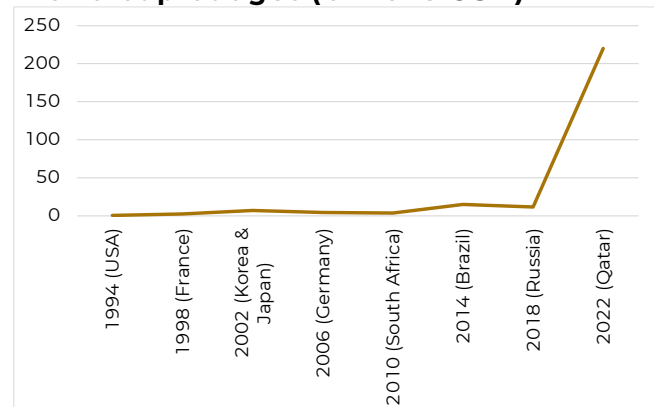


Source : FIFA, XO Investments SA

But FIFA's budgets are a far cry from Qatar's total budget to host the 2022 World Cup. With 220 billion USD, Qatar is spending almost 20 times more than Russia for the previous tournament.

Qatar is carrying out a lot of work to host the event. 6 stadiums were built on an area equivalent to a quarter of Switzerland and this for an amount of less than 10 billion. The air conditioning that has been integrated into all the sports facilities is much more expensive: 35 billion USD! Climate sobriety is a variable geometry in our world... 100 hotels have been built, transport, airports, buildings and a colossal number of infrastructures.

World cup budget (billions USD)



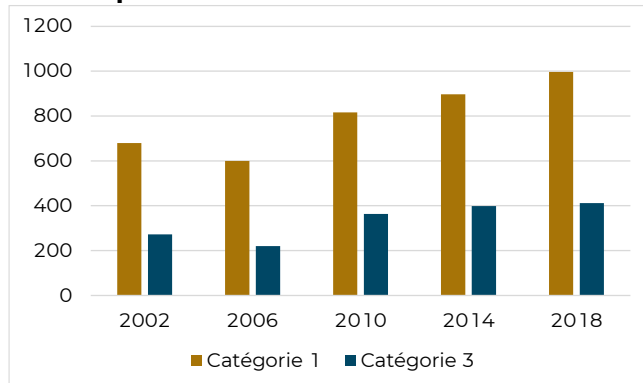
Source : FIFA, XO Investments SA

Qatar is using the event to equip the country and carry out a communication operation. Short-term profitability was not sought after as the World Cup could only bring in USD 20 billion, far from the investment made.

Sports inflation

Inflation is not only affecting basic necessities. Spectators will also have to dig deep into their pockets. Tickets for all categories of matches have risen by 40% in 20 years.

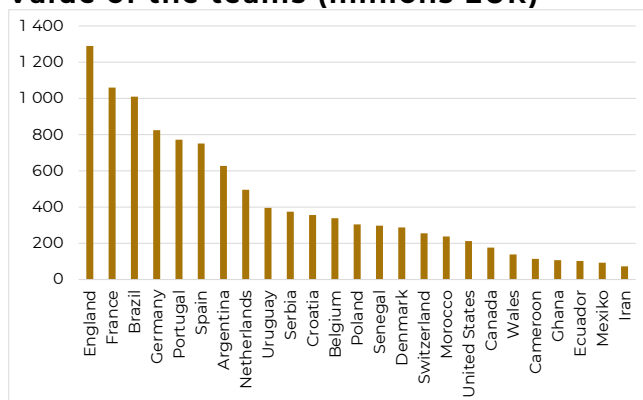
Ticket prices



Source : FIFA, XO Investments SA

And what about the market value of the teams? Hardly imaginable. The England team is "worth" 1.29 billion EUR. Iran... 73 million. Football has indeed become a money sport and footballers have become commodities or investment goods for clubs or sponsors to generate income.

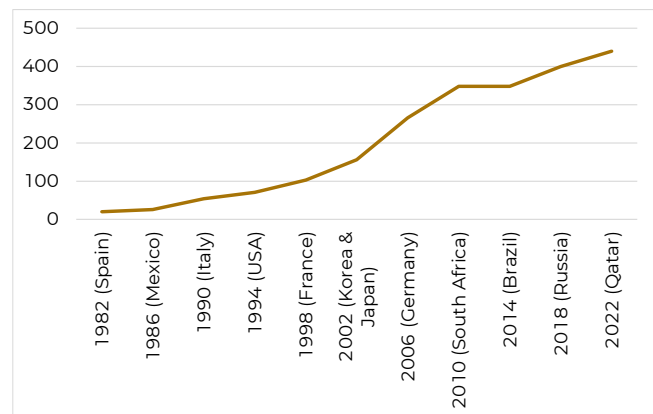
Value of the teams (millions EUR)



Source : Transfermarkt, XO Investments SA

Team bonuses have increased 20-fold since the 1982 World Cup in Spain. The teams will share USD 440 million. The winner will take home USD 42 million, the runner-up USD 30 million. The teams eliminated in the first round of the competition will receive a consolation prize of 9 million USD. This is enough to satisfy the federations and the players...

Bonuses for the teams (millions USD)



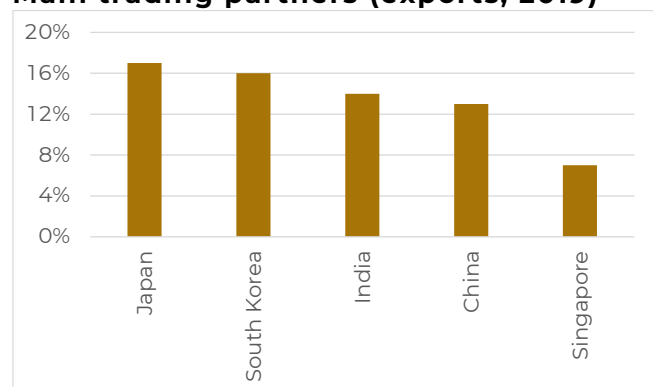
Source : FIFA, XO Investments SA

The football will be inflated with gas

To be able to take on such an event, the candidate countries must obviously have solid finances. And this is of course the case of Qatar, a small emirate with less than 3 million inhabitants but holding 1.5% of the world's oil reserves (14th country in the world) and especially 11.6% of the world's gas reserves. Qatar ranks 3rd in the world in gas reserves behind Russia (23.2%) and Iran (16.5%).

85% of the country's exports in 2021 will come from fuels, oils or distillation products. The main partners are Asian: Japan, Korea, India and China. But the Russian-Ukrainian conflict could change this balance and make Qatar the main supplier of gas to the West.

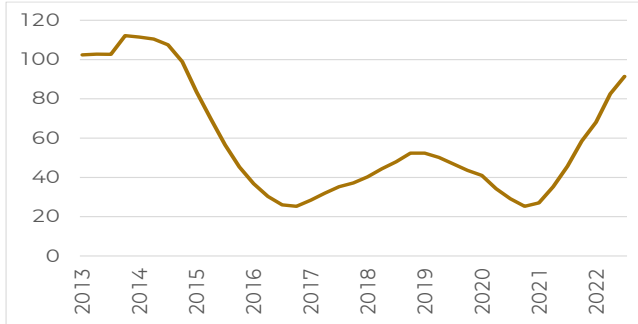
Main trading partners (exports, 2019)



Source : Bloomberg, XO Investments SA

The foreign trade balance is largely positive: an annual surplus of nearly USD 100 billion! This is enough to make European countries dream, as they achieve identical results, but with deficits...

Qatar's foreign trade balance (billions USD)



Source : Bloomberg, XO Investments SA

The government's fiscal balance, although more volatile, remains healthy. This double surplus makes Qatar one of the strongest countries economically.

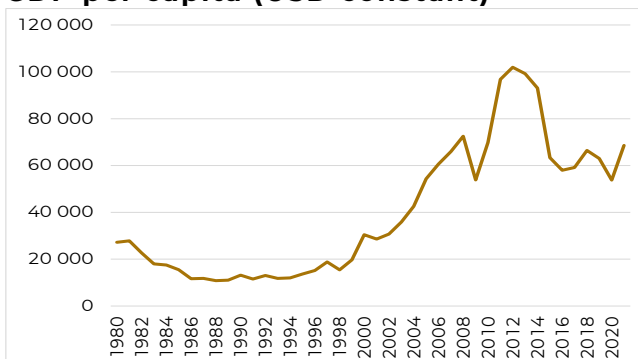
Qatar's budget balance (billions USD)



Source : Bloomberg, XO Investments SA

And all Qataris seem to benefit from this growth. While GDP per capita was less than USD 20,000 in the 1980s, it rose to over USD 100,000 but has now pulled back to USD 60,000. This makes it the 10th ranked country in the world in this respect.

GDP per capita (USD constant)



Source : Bloomberg, XO Investments SA

GBP per capita (USD, 2021)

Rank	Country	GDP per capita
1	Luxembourg	135 0503
2	Ireland	102 390
3	Switzerland	93 515
4	Norway	82 244
5	United States	69 375
6	Iceland	68 843
7	Denmark	67 919
8	Singapore	66 263
9	Australia	62 618
10	Qatar	61 790

Source : FMI, XO Investments SA

Sport as a reflection of geopolitics

The explosion of budgets and the colossal investments made by States to host a competition show how much sport has become not only a political tool but also a reflection of our society, its development and its tensions.

The Qatar World Cup marks a shift towards Asia but also the crucial importance of energy. The boycott announced by certain media or personalities is added to the long list of political actions carried out through sport: the boycotts of the Montreal Olympics against apartheid, the boycotts of the Moscow or Los Angeles Olympics between the two blocs. In Qatar, the boycott refers to the working conditions of the workers on the construction sites and the colossal energy expenses, whereas some people advocate energy sobriety in the framework of the energy transition.

This World Cup of excess in Qatar has not finished spilling ink. Let's hope that sport will regain its place in the editorials and that its values will make 2022 a catalyst for positive change.