



ROSSIER, MARI & ASSOCIATES LTD
Investment Consultants

Investment Report June 30th, 2021

The year 2021 started in the best way. Our prediction from the beginning of the year that the S+P500 will probably crack the 4000 points in 2021 was already a reality on April 1st. Today, the American index stands at 4300 points, a performance of over +16%. The SMI (Swiss Market Index) and the Eurostoxx are also trading at +12% and +15% respectively.

Whether the positive trend will continue in the second half of the year is difficult to predict. There are good reasons for a positive performance of the stock markets; but there are also arguments that tend to call for caution. Which elements would favor a positive scenario?

- The IMF's forecast for the global economy were raised by 0.5% this year. The IMF raised its forecast for the US by 1.3% to 6.4% and adjusted the eurozone forecast by 0.2% to 4.4%. These good news should be reflected positively in the stock markets.
- A lot has happened in the last few weeks. After a brief rise, interest rates moved back again. The dollar became stronger. This is likely to support eurozone's exports.
- The prices of raw materials (steel, wood or dram's) have fallen considerably. Global supply chains are back to virtually normal after the gradual lifting of Covid restrictions, having suffered from a huge increase in orders after the pandemic. As a result of the favourable data, inflation fears have fallen.
- After the crypto currencies have massively corrected, there is no particular speculative bubble to be detectable.
- The geopolitical situation is calm at the moment. In the American political landscape, too, the situation is currently normal. The immigration movement in the south of the country seems to be mostly under control.

And which scenarios could limit a further rise in the stock markets?

- The FED has changed the tonality: there is talk of tapering (reduction of expansionary monetary policy measures) and raising interest rates. The exception is the (reduced) financing of the infrastructure, which supports the economy.
- The G7 countries have decided to raise the minimum tax rate for companies to 15%. Although the impact on corporate profits will be less than 5%, this fact can be classified as rather negative.

Conclusion:

The US market is too expensive at the current level in absolute as well as relative terms. On the other hand, Switzerland, Europe and Japan are interesting.

In a top-down process, we would favour the following sectors:

- Finance due to the expected long-term increase in interest rates.
- Infrastructure due to the corresponding financing packages in the USA and Europe.
- Artificial intelligence used in all sectors.
- Energy stocks should remain interesting after the rise in oil prices could continue (increased mobility after the Covid years).
- Alternative energy (Clean Energy) would also benefit from the increase in the price of traditional energy.

July 1st, 2021
Georges Mari