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Hands remain shaky – Update from the Investment Division

Erste AM Communications



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What has occurred since yesterday?

The hands of many market participants remained shaky and the daily news flow continued to influence the markets. In yesterday's trading session the US equity index S&P 500 remained slightly positive the whole day. In the last hours of trading the index turned and closed in negative territory with -1,1%. The reason was a report of the health website Stat questioning the data quality of the clinical study of Moderna in regards to a Covid-19 vaccine.

Also the European markets remained in negative territory. The yields of investment grade government bonds remained almost unchanged. Gold could see further gains.

What did we do over the last months in our funds?

We have reported already several times about divergences in the equity markets. E.g. about the winners and losers of the current crisis. The winners are especially above average growth companies. The lead of these companies shows if you look at a global index with growth titles and a global index with value titles:

While global growth titles are only negative year-to-date with 3,8%, the year-to-date loss is – 23% with value titles. The reason is that many growth titles can profit from the current crisis. An example is Microsoft with their video conferencing application, PayPal with the online payment service or Amazon.

On a sector basis there are clear differences. Companies in IT and the health sector show only small losses year-to-date. On the other hand there are titles from the energy sector (oil price drop) and airlines.

In our Multi Asset funds and Discretionary Portfolios we had and have in the equity segment an active positioning in the IT sector and in the health sector, which had a positive performance impact. Also in our equity funds growth and quality titles take a significant part of the portfolios and therefore could gain from the above mentioned developments.

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