



PRIO PARTNERS

BODMER CETTIER



Zurich, December 17, 2020

IC No. 22 – Outlook of outlooks

The pre-Christmas period is not only a time for reflection, but is also used by the financial sector to provide an outlook for the new year. In this regard, we are not only sent Christmas cards, but also sometimes very comprehensive macroeconomic financial reports from financial institutions. While reading them, we noticed that the outlooks are similar. Since our opinion has not changed since **IC no. 21 - on fire** and we cannot add anything to it at the moment, we thought we would give our customers and partners something they cannot buy - particularly time. As a special service from Prio Partners we have summarized the key points in *IC no. 22 - Outlook of the Outlooks*. What we liked in the compilation is that there were not really contradictory opinions.

Summary of the outlooks

Market sentiment brightened noticeably since the announcement of the first positive news on the efficacy of the developed vaccines. This positive market sentiment is now riding a wave of euphoria into the new year. Of course, there are many good arguments - to make a long story short - to stay invested in equities or to increase the allocation: Trump is (as good as) passed, Corona is (hopefully) soon defeated and then above all catch-up effects and high liquidity remain, which is looking for yielding assets. The only malus that does not dampen the mood much, however, is the high debt. Who is going to pay for them remains unanswered. We have listed the top 10 issues and the degree of consensus below. Thus, our *outlook of outlooks* would end here, if we did not still look for the fly in the ointment.

| Top 10 topics | 0% consensus | 100% consensus |
|--|--------------|----------------|
| Shares expensive but relatively attractive | | |
| High excess liquidity | | |
| Supportive fiscal policy | | |
| Low inflation | | |
| Falling US-Dollar | | |
| Sustainability (ESG) even more important | | |
| China's rise continues | | |
| Rising corporate profits | | |
| Gold remains a sensible addition | | |
| Herd immunity Q3 2021 | | |

¹ Source: Annual outlook 2021 of selected institutions, Interpretation and presentation Prio Partners

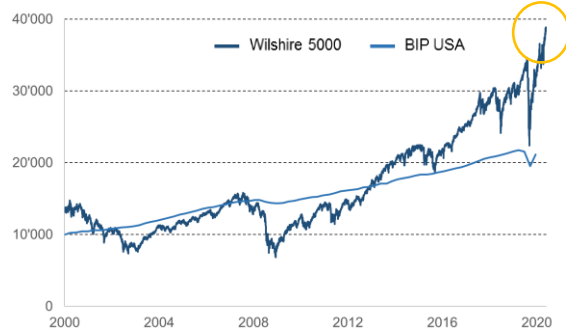
Fly in the ointment

After no one wanted to take risks in shares in March this year and certain residual skepticism could be felt until today, now all inhibitions vanish.

In our search for the fly in the ointment, we found one of the classic market indicators with relative ease: The so-called Buffett indicator, named after investment legend Warren Buffett. This indicator describes the relationship between the market capitalization of all listed companies (the broad market index Wilshire 5000 is typically used as a proxy for the US market) and the overall economic performance (expressed in terms of the GDP of the USA). If the market index exceeds the development of the overall economic performance, then value-oriented investors speak of a certain overvaluation. Today, this indicator is at an all-time high of 183% (ratio of market capitalization to GDP). Whether this is high or not, we leave to your judgment.

A classic never ages – the Buffet indicator

Development Wilshire 5000 compared to the GDP of the USA

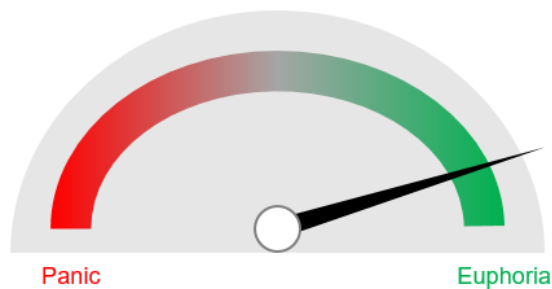


Source: Financial database, Prio Partners

Of course, such market phases are driven primarily by investor mood. We report little new when we state that the mood in March of this year was poor. Now - shortly before Christmas - market sentiment is at least excellent again. You can almost feel that risk aversion has gone packing with Santa Claus at the North Pole.

Pre-Christmas mood

Market participant sentiment barometer



Source: Fear & Greed Index Citigroup

Now the question is how much the fly in the ointment interferes with investing. At Prio Partners, we become more attentive with every percentage point the markets rise.

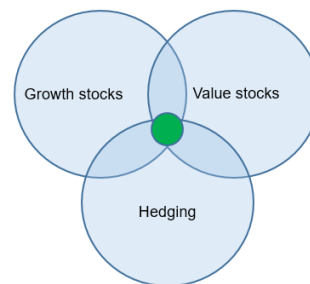
Recommended action

In addition to a lot of positive feedback on our investment commentary, one or two people also dare to give critical feedback. In addition to the request that we keep our comments as brief as possible, we are repeatedly asked to provide specific investment tips. We do this very rarely (and usually reserve this for our customers), but if you want to look at the commentary from March as well as August of this year out of interest, there were already hints to be found there.

Looking ahead, we continue to favor a balance between growth and value stocks and remain committed to hedging strategies. Thus, we support the current consensus with a pinch of skepticism and increase our vigilance. Because when everyone is only focusing on the upside, there is a lack of mindfulness on the downside. Our highly complex and proprietary positioning chart illustrates our current portfolio tactics.

Prio Partners positioning graphic©

Current positioning balanced mandates (green dot)



Source: Prio Partners

So despite the euphoria, also remain vigilant and remember that for every buyer there is a seller in the market.

Finally, we wish you a happy and restful holiday season. Stay healthy.

P.C.