

SWISS LARGE & MID CAP EQUITIES

World economics

The world economy bounced strongly after the restrictions set to fight the pandemic were eased. In China, the level of economic activity has returned to a level higher than before the pandemic. This should not happen yet in 2020 in Europe, according to the Swiss national bank (SNB). As a second wave of the pandemic hit Europe in September and was threatening North America, uncertainty grew. Progresses have been made towards vaccines against covid-19. One or several of them could be available on a large scale mid-2021.

Swiss economics

The Swiss economy should shrink -5% in 2020, less than previously forecasted (-6%), according to the SNB. It would still be the worst recession since the seventies. The KOF described the path taken by the economy in the third quarter as V shaped. All the sectors, except construction, have taken part to this strong recovery. However, unemployment should creep up further, said the SNB. In the second quarter, the GDP plummeted -8,2% compared to the previous year. In June, 10% of the working population were partially unemployed.

Equity markets

World indices reached a historic high thanks to the appreciation of large American technology firms. European and Swiss stocks were more muted. The SPI rose +2,3% over the quarter and stood -0,9% year to date.

Individual stocks

Firms like Sika (+24,1%), Geberit (+15,1%), Givaudan (+12,5%) and Straumann (+14,3%) published strong or better than expected results despite the covid-19 crisis and expressed confidence in the development of their businesses. Roche (-4,0%) and Novartis (-3,1%) acknowledged an impact in their sales from the crisis as patients could not or would not access care. The financials were under pressure across the board. Swiss Re (-6,5%) published a larger loss than forecasted. Zurich (-4,0%) results were without surprise, but the firm said its pricing power had improved in the commercial lines, which bodes well for the coming quarters.

Investment actions

The ponderations in Logitech and Sika were trimmed after their good performances. Richemont was reinforced from underweight to neutral. A position in Temenos was built to gain exposure to the future growth we expect the firm will achieve.

Outlook

Despite elevated uncertainties, many firms published reassuring results and expressed their confidence. We continue to focus on quality stocks with a robust balance sheet structure, strong management, quality products and solid growth prospects and remain ready to seize the opportunities that might arise.