

SWISS SMALL & 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. The SPIEX, the index of the mid and small capitalizations, was up +6,4% over the quarter, and down -0,7% year to date.

Individual stocks

The supplier of optical of sensors for mobile phones Ams bounced back (+48,9%) thanks to reassuring results and progress in its takeover of Osram, a German company. Siegfried, a pharmaceutical subcontractor, appreciated sharply (+46,6%) after it signed a contract for the filling of the future covid-19 vaccine of Pfizer and BioNTech. Vifor Pharma was under pressure (-12,0%) amongst doubts on its growth perspectives. Temenos was also down (-15,7%) on fears that banks would not resume soon their IT investments.

Investment actions

The ponderations of defensive chocolate makers Lindt & Sprüngli and Barry Callebaut were reinforced. The positions in insurances Helvetia and Baloise were also pushed up after the stocks underperformed. A neutral position in Temenos was built. Partners Group was sold after the stock was removed from the mid cap index. Zur Rose and Logitech were trimmed after the strong performances of both stocks.

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.