Julius Bär

RESEARCH WEEKLY
A FEELING IN MY BONES, MOVE LIKE A ROLLING STONE

CONTENT

Stories of the week

Ideas of the week

Number of the week

5.1%

Following the vote this weekend, the corporate tax rate will soon be lowered to 5.1% in a part of Switzerland –the canton of Nidwalden. Adding in the federal government taxes, the total tax sum is just below 10%, the lowest rate globally.

MARKET OUTLOOK

For more information, please visit: http://www.juliusbaer.com/marketoutlook

EDITORIAL

- September has been the usual rattling experience. Short-term reversals should not overturn a global recovery and US dollar weakness.
- Traders can enter new positions, such as Twitter; investors can write insurance at attractive premia. Better buy gold stocks than gold. Stick to nerve-racking financials for now.

We are ticking the box for a tumultuous September, which is the usual seasonal pattern, particularly during election years. For those who have gone through it, this may be understating the facts. At some stage, the Nasdaq index was down double digits, and so were oil & gas stocks. The VIX (volatility) index (the fever curve of stock markets) revisited the mid-30s, and UK real estate and global commodities were down high single digits. The safest assets were Swiss stocks and government bonds. While the US elections are still five weeks away and the pandemic is still dominating the headlines, some of the market turbulence seems to be exhausted in the short run.

This may not mean that established trends are reversing for good. Yet the herd of investors may want to halt and regroup – something they particularly like to do at the end of a quarter. With this in mind, we think that short-term traders can enter some positions, with the usual stop-loss discipline. Investors can write some insurance instead, since insuring the downside in stock markets is still invitingly priced by options markets. As for some of the trends that have been established in 2020, such as an improving economy and a weakening of the US dollar, these are not likely to be reversed beyond the shorter term. Hence, we stick to our preference for gold stocks over gold and reiterate our most controversial sector call – sticking to financials overall.

While our preference for information technology, cyclicals overall and healthcare stocks went largely undisputed, the one for financials has been under fire for quite some time – both verbally and performance-wise (these usually go hand in hand). To blame everything on bond yields may be delegating the issue. However, overall we still believe bond yields do not properly reflect economic prospects into 2021 and will normalise eventually – even in a yield-curve-control regime. The same goes for default risks, which are holding back financial stocks. This should give financials a longed-for lift.

Christian Gattiker, CFA, CAIA

KEY DATES

29 September
US: First presidential TV debate
The first debate between Democrat Biden and Republican incumbent Trump includes six questions, among them the pandemic, racial protests and the economy.

30 September
Japan: Activity data
A slow recovery remains on its way. Industrial production should have continued to improve in September on the back of higher export demand, while retail sales still remain subdued.

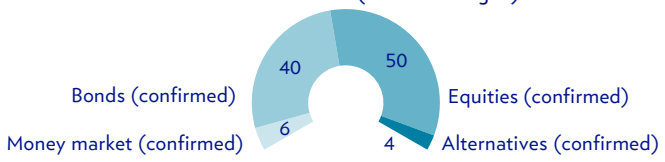
1 October
World: Manufacturing PMIs
The forward-looking purchasing managers' indices (PMIs) should signal an ongoing recovery at different speeds for the major economies.

2 October
Eurozone: Inflation
Inflation is expected to tick up to -0.1% in September. For this year, it will remain anaemic mainly due to a value-added tax cut in Germany and coronavirus-related price drops.

2 October
US: Employment report
With an expected 865,000 jobs added, the labour market recovery is firm but continues to moderate. It is still a long way to a full recovery, as the elevated unemployment rate signals are expected to be a tick lower at 8.2%.

MARKETS AT A GLANCE

Asset allocation (latest changes)



Profile 'EUR Balanced', in %

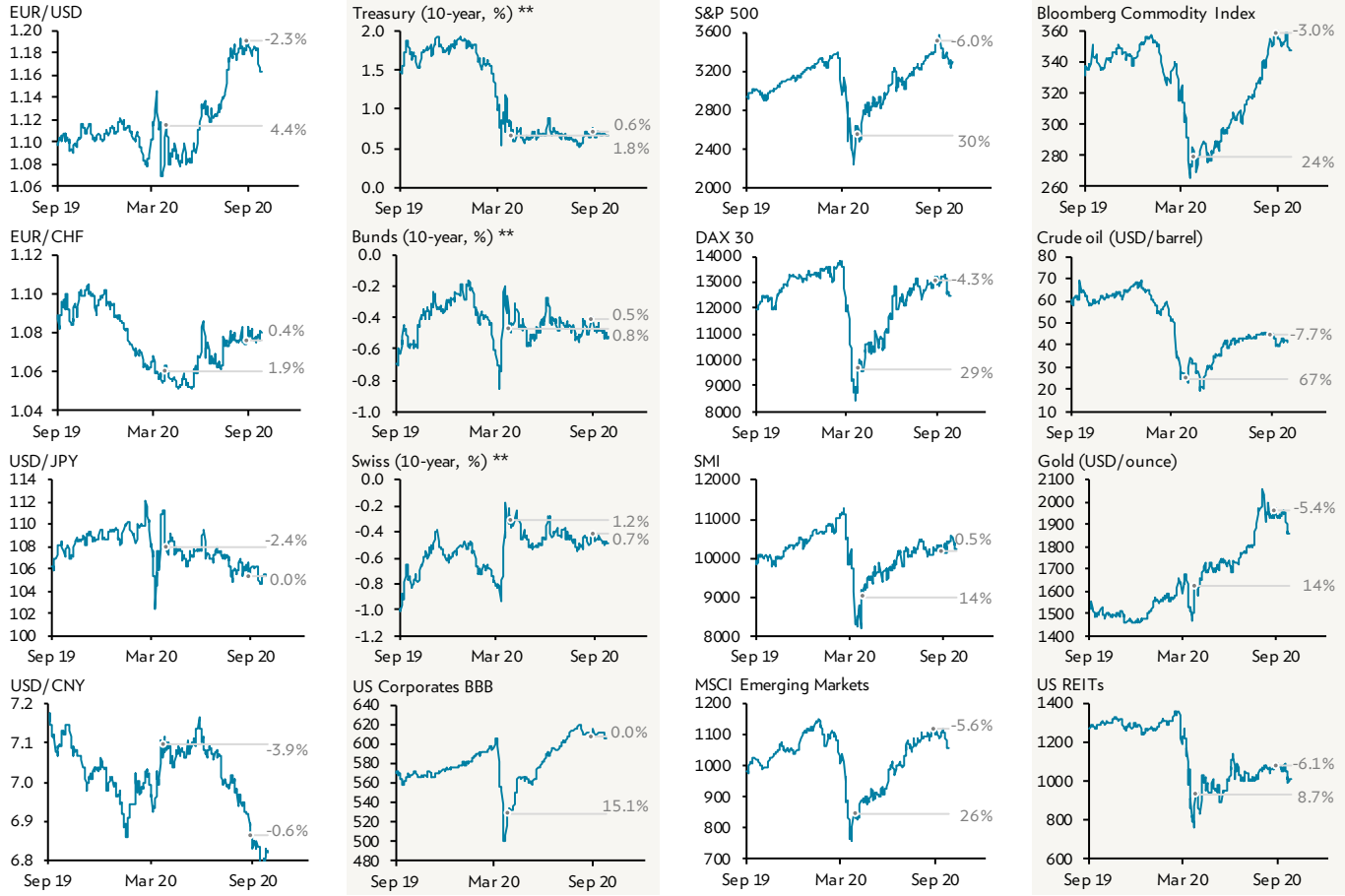
Views (3 months)

Currencies		Bonds		Equities		Commodities	
US dollar	neutral	High grade (USD)	neutral	United States	bullish	Crude oil	bullish
Euro	bullish	Low grade (USD)	bullish	Eurozone	bearish	Cyclical metals	neutral
Swiss franc	neutral	High yield (USD)	bullish	Switzerland	neutral	Gold	neutral
British pound	bearish	Inflation protected	neutral	Japan	neutral	Agriculture	neutral
Yen	bearish	EM hard currency	bullish	Emerging markets Asia	bullish		
Renminbi	neutral	EM local currency	neutral	EM Latam & EMEA	bearish		

Forecasts (closing price as at 25/09/2020, technical view/arrow[1] and 3-month forecast)

EUR/USD	1.16	↗	1.20	Treasuries (10y)	0.65	↘	1.00	S&P 500	3298	↗	3580	Crude oil	41.9	→ 45.0
EUR/CHF	1.08	↗	1.08	Bunds (10y)	-0.53	↘	-0.40	Eurostoxx 50	3137	↗	3350	Natural gas	2.14	→ 2.75
USD/CHF	0.93	↘	0.90	Swiss (10y)	-0.49	↘	-0.40	DAX 30	12469	↗	13250	Aluminium	1713	↗ 1750
EUR/GBP	0.91	↗	0.94	Japan (10)	0.01	↘	0.00	CAC 40	4730	↗	5075	Copper	6544	↗ 6750
USD/JPY	105.6	↘	109.0	US corp. BBB*	181	→	175	MSCI UK	1641	↘	1700	Iron ore	123	↗ 95
USD/CNY	6.82	↘	6.75	US high yield*	537	↘	500	SMI	10216	↗	10300	Gold	1862	↗ 1900
USD/BRL	5.56	→	5.50	JPM CEMBI*	407	↘	400	Nikkei 225	23512	↗	23200	Silver	22.9	↗ 24.0
AUD/USD	0.70	↗	0.73	JPM EMBI*	405	↘	350	MSCI EM	1059	↗	1150			

Review (1 month and 6 month performance)



Sources: Bloomberg Finance L.P., Julius Baer (∧/∨: upward/downward revision in the past two weeks, *in basis points, ** returns depict investment yield)
1: Technical Analysis may be inconsistent with and reach different conclusions to fundamental analysis. ↘ = negative, → = neutral, ↗ = positive.

STORIES OF THE WEEK

Economics: Services stall, but the recovery remains on track

- Contraction of eurozone services PMIs calls into question the sustainability of the recovery. US recovery is also losing steam.
- As the EU fiscal rescue package has yet to kick in and virus containment measures are not too tight, setbacks may remain temporary. US fiscal deadlock poses a wider risk going forward.

Last week, the preliminary readings of the September purchasing managers' indices (PMIs) disappointed and called into question the sustainability of the economic recovery, setting loose a spell of risk aversion. In particular, the eurozone services sector recovery struggled, with PMIs falling back into contraction. Divergence is visible, with a less hefty collapse in Germany as compared to regions with recently stronger Covid-19 case growth. This slide in eurozone services contrasted with a rise in manufacturing PMIs to a new two-year high, keeping the composite PMIs in expansion. However, as services used to be a more stable component, the data concerned markets and pushed the euro lower against the US dollar. That said, this business cycle is different. Services will stay prone to greater swings, but the setbacks should remain temporary. First, eurozone countries have not significantly re-tightened virus containment measures lately. It seems that consumers have demanded fewer services because of sentiment rather than additional obstacles in their way. Hence, demand may return if case growth does not worsen a lot. Second, fiscal stimulus from the EU recovery fund is yet to kick in. So far, the slowing remains within our expected moderation in recovery speed in Q4.

Similarly, UK PMIs retreated from last month's highs but settled in still-comfortable territory. Indications that the UK could tighten its lockdown measures in reaction to recent case growth puts the recovery at risk, while jitters on the Brexit front create additional headwinds. The US showed a levelling-off of its PMIs, as the recovery is somewhat running out of steam due to fading fiscal support. Risks remain amplified by political tensions ahead of the elections, which complicates additional fiscal action (see next article). Finally, Japanese manufacturing activity remains in contraction for the 17th month in a row. Already in a recession before the Covid-blow, new Prime Minister Suga faces the challenge of bringing the economy back to growth.

David Alexander Meier

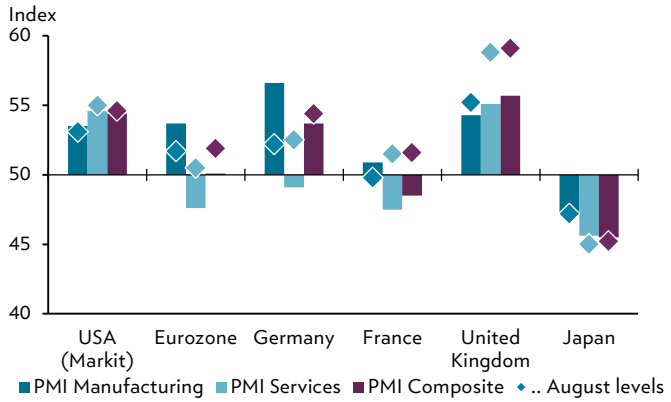
US: Pre-election stalemate complicates fiscal response

- Narrowed polls continue to see advantages for Biden, and the Democratic sweep scenario maintains a considerable probability. However, uncertainty about the outcome has clearly risen.
- The inability to extend the fiscal crisis response and a possible government shutdown are growth headwinds that reduce our GDP outlook and weigh on our US dollar outlook.

With a bit more than a month until the 3 November US elections, the suspense is rising by the day. In polls, Democrat Joe Biden has lost some of the lead that he had during the climax of the pandemic and the ensuing recession. At the same time, momentum back towards Trump has stalled recently, and Biden maintains a narrow lead in many swing states that could suffice for a victory. However, most swing states are considered as being in a 'toss-up' situation, making the outcome less predictable. Tomorrow's first of three television debates will show whether Biden can weather Trump's rhetoric and give guidance on where voting intentions will go. Senate elections are also highly important, since the Democrats seem close to winning the necessary four seats to regain control, keeping the likelihood of a Democratic sweep at 25%. This scenario would enable Biden to roll out more of his agenda (e.g. corporate tax hikes and environmental re-regulation) than in the 'Biden versus a split congress' scenario (20% probability). The status quo has a probability of 15%, while the odd scenario of a lame-duck President Trump against Congress (mathematical probability of 20%) seems less plausible due to conditional voting. The political inability ahead of the elections to reach a consensus on extending the fading fiscal stimulus from the early emergency measures and to agree on a budget to prevent a government shutdown are significant growth headwinds. We have therefore revised down our growth outlook for the fourth quarter, resulting in an average forecast of -4.0% for the current year (down from -3.6%) and a lower 3.5% for 2021, with gross domestic product to reach pre-crisis levels now a quarter later in early 2022. The fiscal stalemate also remains a foundation of our cautious US dollar outlook. The US dollar is generally benefiting from last week's higher risk aversion (see left), but the more active fiscal policy initiated by the EU Recovery Fund and the resulting improved cohesion in the eurozone should lead to a weaker dollar against the euro.

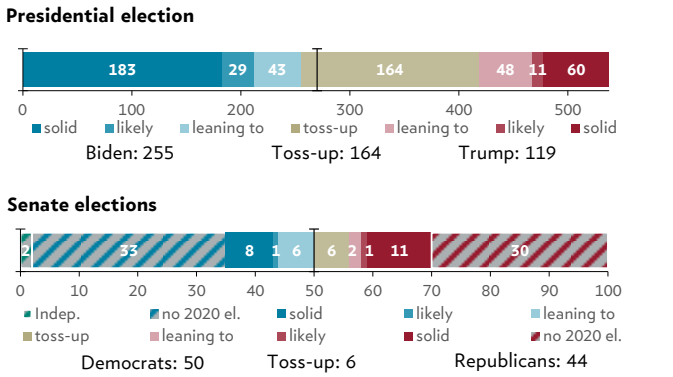
David Alexander Meier

Preliminary September PMIs overview



Source: Bloomberg Finance L.P., Julius Baer

Overview of polling data for US elections



Source: 270towin, RealClearPolitics, Julius Baer; el. = election

USD bonds: Seasonal fiscal jitters will not reverse the trend

- Mature-market central banks have no choice but to keep their policy rates down, and investors have few alternatives to earn interest.
- US budget woes and election jitters bring short-term volatility but will not alter flow of money into higher-yielding segments.

Corporate bonds in USD and EUR alike suffered from outflows in the week under review. The average credit spread of speculative-grade debt over government bonds with a comparable maturity widened by some 0.5%: to 5.6% in the US high-yield market and to 4.8% for EUR high-yield bonds.

The spread widening is small compared to the March distortions caused by the standstill of the global economy. Yet the increase confounds our expectations and those of the market for a further spread compression. We reckon that US budget woes and election jitters have caused some profit-taking and admit that the outlook for a follow-up fiscal stimulus has weakened in recent days.

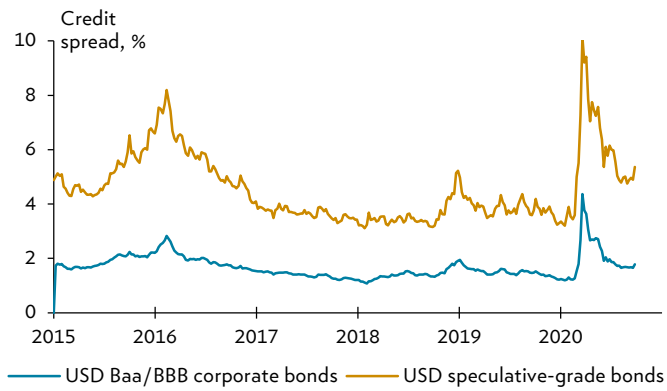
The spread widening is caused by political risk factors that will abate in the next two months.

Political factors are not changing our view of the market: financial repression will induce further flows into riskier segments of the bond market. Western central banks have no choice but to keep their policy rated at 0% or below for a long time to achieve their respective inflation goals. A fiscal stalemate will not alter the monetary outlook; rather, it increases the pressure on the US central bank to provide even more monetary stimulus.

The combination of cheap money and economic rebound – even though it is as incomplete as our economists predict – will allow the default rate to decline over time. Against this backdrop, we maintain our call for bonds rated Baa/BBB and Ba/BB, with a focus on the more liquid US market for speculative grade debt.

Markus Allenspach

US election jitters will only pause, not reverse, spread compression



Source: Bloomberg Finance L.P., Julius Baer
Past performance and performance forecasts are not reliable indicators of future results.

Global financials: We maintain our positive view

- We anticipate a significant steepening of the yield curve due to a significant pickup of long-term yields.
- Financials is the most yield-sensitive sector and should strongly outperform when yields rise.

The global financials sector has risen a good 30% since its low in mid-March and has thus underperformed the overall market, which has risen around 40% from the March lows. Depressed bond yields are the main reason for the underperformance of financials. In particular, the 10-year US Treasury yield is a significant key indicator for the relative performance of global financials, both banks and insurances. Despite a strong recovery of the global economy and rising inflation expectations, the 10-year bond yield has been moving in a relatively narrow range between 0.55% and 0.75% since March. Over the past decades, there has been a close correlation between the development of the purchasing managers' indices and the 10-year US bond yield. Based on the current level of the purchasing managers' indices, yields should rise significantly in the coming months. Our economists expect the 10-year US Treasury yield to rise to 1.7% until the end of next year. In light of the strong recovery, we expect that purchasing managers' indices should continue to move upwards in the coming months towards the end of the year and in 2021.

Global purchasing managers' indices are consistent with a sharp rise in 10-year US Treasury yields.

Irrespective of the sector, due to the generally challenging economic and geopolitical environment, we continue to have a general preference for quality stocks, i.e. companies with above-average growth combined with solid balance sheets relative to the sector peers. In the context of the global financials sector, this is consistent with a preference for the risk-return characteristics of US banks over European banks. In the insurance sector, however, we also see attractive opportunities in Europe as well. Overall, we confirm our Overweight recommendation for the global financials sector.

Patrik Lang, CFA

Stock recommendations

Company	ISIN	Rating	Price	Target
Axa	FR0000120628	Buy	15.57	22
Allianz	DE0008404005	Buy	161.9	220
Citigroup	US1729674242	Buy	42.02	70
Helvetia	CH0466642201	Buy	73	115
ING Groep	NL0011821202	Buy	5.897	9
Royal Bank of Canada	CA7800871021	Buy	94.49	115
Scor	FR0010411983	Buy	21.2	28
SVB Financial	US78486Q1013	Buy	229.5	260
Swedbank	SE0000242455	Buy	137.9	180

Source: Julius Baer

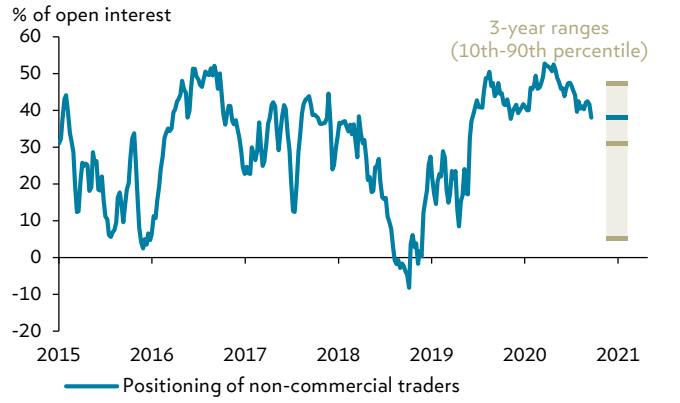
Gold and silver: The US dollar strikes back

- While a stronger US dollar and slightly higher US bond yields look like the triggers of the gold and silver sell-off, we believe it reflects technical traders and trend followers exiting the market.
- Barring an even deeper short-term sell-off, we do not see a buying opportunity. An improving economic environment should push prices gradually lower in the longer term.

Last week's sell-off in the gold and silver markets brought back memories of the early days of the coronavirus crisis in March. Rapidly rising infections and fears of broad-based lockdowns triggered a risk-off move in financial markets, putting pressure on equities, which spilled over into the gold and silver markets as the US dollar strengthened. While counterintuitive at first sight, such moves are not unusual for gold and silver in times when the risk perception in financial markets changes and investors dump risky assets for US dollars. For many investors, the US dollar itself is a safe haven. Gold is back below USD 1,900 per ounce and silver is trading around USD 22 per ounce. While a stronger US dollar and slightly higher – or rather slightly less negative – US real bond yields look like the triggers for this, neither the one nor the other is sufficient to explain the sell-off in gold and silver. Instead, the explanation is rather that trend followers and technical traders are exiting the markets. The market mood, as indicated by the positioning of these non-commercial traders, has cooled, while at the same time safe-haven demand stayed strong. We do not believe that the fundamental backdrop has changed much. In particular, we feel confirmed that the US dollar's weakness during the summer was not a prelude of a longer-lasting debasement as a consequence of the massive stimulus measures by the US Federal Reserve. We still do not see the dollar as a major driver of gold and silver prices going forward and instead believe that the outlook for gold will be primarily determined by safe-haven seekers. Silver should meanwhile continue moving in gold's slipstream. Assuming a continued improvement of the economic environment and no broad-based lockdowns despite the renewed rapid rise in coronavirus infections, safe-haven demand should fade again over the coming months and gold prices should move somewhat lower. Consequently, we do not see current levels as a buying opportunity – barring an even deeper short-term sell-off.

Carsten Menke, CFA

The mood in the gold market has cooled



Source: Commodity Futures Trading Commission, Julius Baer

Technical analysis: USD bear market set to resume?

- Five weeks of USD gains are not enough to derail the new USD bear market.
- Stick with US growth stocks, gold, silver and selective materials; it is too early for broad-based emerging markets.

After five weeks of gains by the US dollar, investors are concerned about whether the bearish signals have been premature. As seen on the chart, the US dollar index has broken its uptrend from 2011. Over the past five weeks, it has seen a minor rebound.

Nevertheless, as long as the EUR/USD stays above 1.15 and the USD/JPY can manage to hold below 108, we view the recent rebound in the US dollar as a temporary rebound in a new bear market.

A weak US dollar has historically been reflationary, with emerging market equities and financials outperforming, but not this time around. Currently, emerging market equities continue to underperform versus the S&P 500. Two large influences are, of course, depressed interest-rate levels globally and depressed oil prices.

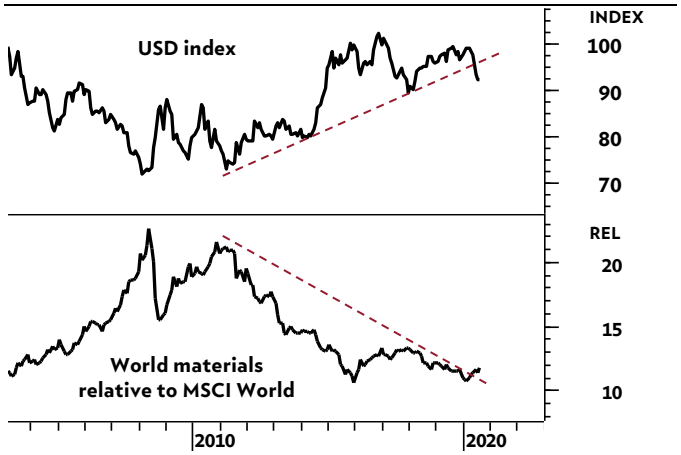
The USD bear market is set to resume; stick with US growth stocks, gold, silver and selective materials.

Currently, we see only gold, silver and materials as profiting from a weak USD. As seen on the chart below, the relative performance of global materials stocks corresponds quite well with the US dollar index: both have broken their trends from 2011.

Thus, we recommend that investors stick to a bearish USD position, retain positions in US growth stocks, gold, silver and the materials sector.

Mensur Pocinci, MFTA

The USD has broken its uptrend from 2011



Source: Bloomberg Finance L.P., Julius Baer
Technical analysis may be inconsistent with and reach different conclusions to fundamental analysis. Past performance and performance forecasts are not reliable indicators of future results.

INVESTMENT IDEAS

short term **Trading ideas**	medium term **Key ideas**	long term **Thematic ideas**
• Stock of the week: Sprouts Farmers Market(Buy) • Illumina: Downgraded to Hold • Technical idea: Twitter (Buy)	• Equity strategy (Overweight): Global cyclicals, healthcare • Fixed income (Overweight): EUR low-investment-grade bonds, US crossover bonds, convertible bonds, EM hard- and local-currency debt	• Future Cities: Smarter and more sustainable • Cybersecurity: Fighting invisible threats • Digital Disruption: Digital payments • Energy Transition: Clean energy • Energy Transition: Future mobility • Arising Asia: Asian tourism • Arising Asia: Healthy China • Shifting Lifestyles: Extended longevity • Shifting Lifestyles: Genomics 3.0 • Shifting Lifestyles: Digital health • Shifting Lifestyles: Global education • Digital Disruption: Cloud computing & AI • Shifting Lifestyles: Globesity

Stock of the week

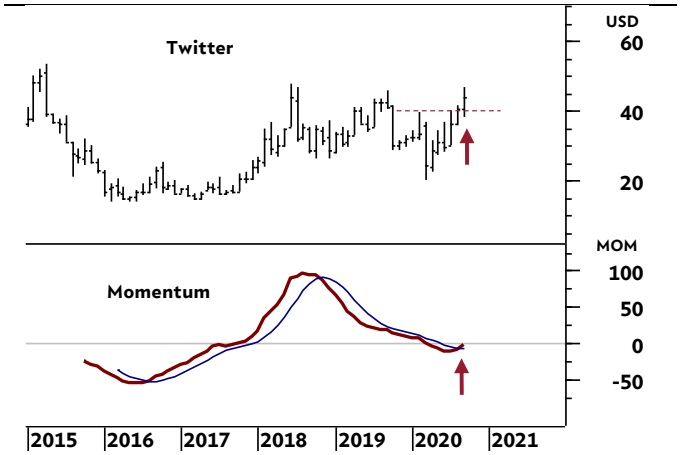
Sprouts Farmers Market: Leading US organic grocery retailer
Sprouts Farmers Market (SFM, Buy, Price/Target: USD20.97/26) is one of the largest natural and organic grocery retailers in the US. Sales growth of 16.0% kept momentum solid in Q2, driven by 130bps better same-store sales (SSS) growth of 9.1% and performance from new stores (+1.7% q/q or 6 new stores opened, 10 new stores to follow until year-end). In July, SSS growth was at 9% on more home cooking and the higher usage of online and pick-up delivery. Gross margin was up 450bps y/y to 37.3%, benefiting from fewer promotions, reduced food waste and arguably lower produce purchase costs given lower demand from restaurants. Management is well on track with its strategic plan, targeting +10% store growth, low single-digit SSS growth, stable to slightly expanding EBIT margin and low double-digit earnings growth. We upgraded SFM to Buy last week given a superior growth outlook amid the US food retailers, solid execution under the new management and as valuation is back to 12.4x EPS 2021E (a 25% discount to the 3-year median level).
Roger Degen

Source: Bloomberg Finance L.P., Julius Baer
Past performance and performance forecasts are not reliable indicators of future results.

Technical idea*

Buy Twitter: New year-to-date highs confirm momentum
Twitter is resuming its medium-term uptrend from the March lows after retesting the key USD 40.0 level. Although the stock has gained 37% year-to-date, the potential for further upside remains elevated. As seen in the chart, long-term momentum recently bottomed and is now crossing above the zero line. We therefore recommend buying Twitter, with a possible target at USD 53.8 and a stop at USD 39.5.
Alexis Chassagnade

Buy Twitter – new year-to-date highs confirm momentum



Source: Bloomberg Finance L.P., Julius Baer
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*Technical analysis may be inconsistent with and reach different conclusions to fundamental analysis.

Equity top picks

		North America	Europe	Rest of the World
Oil & gas	neutral	Chevron, ConocoPhillips, EOG Resources	Total	
Materials	overweight	Sherwin-Williams Company	DSM, LafargeHolcim	
Industrials	overweight	Eaton Corporation, Honeywell, Norfolk Southern, Trane Technologies	Assa Abloy, Schneider Electric, Siemens	
Consumer cyclical	neutral	Dollar General, Home Depot, McDonald´s	LVMH	Alibaba
Consumer defensive	underweight	Estée Lauder	Ahold Delhaize, Diageo, Nestlé, Unilever NV, Unilever PLC	
Healthcare	overweight	Abbott Labs, Boston Scientific, Bristol-Myers, Thermo Fisher	AstraZeneca, Lonza, MorphoSys, Sanofi	Shanghai Fosun Pharmaceutical-H, Sino Biopharm
Financials	overweight	American Express, Ameriprise Financial, Citigroup, S&P Global	Axa, Beazley, ING Groep, Partners Group Holding, Swedbank	AIA Group
Information technology	overweight	Activision Blizzard, Adobe Systems, Intel, Microsoft, Qualcomm, Visa	Ericsson, Nokia	
Communications	overweight	Alphabet A, Alphabet C, AT&T, Comcast	Orange, Vodafone Group	Tencent Holdings
Utilities	neutral		Enel, Engie, RWE, SSE	
Real estate	underweight	Prologis	Klepierre, Mobimo Holding AG	Ascendas Real Estate Investment Trust
Changes as per 28 September 2020	**Additions:**	None		
	Deletions:	None		

Source: Julius Baer. Classification: Julius Baer Financial Instruments

Equities

Illumina: Downgraded to Hold

We struggle to see the rationale behind the announced Grail (not listed) acquisition. First, Grail – founded in 2016 and spun off by Illumina (Hold, Price/Target: USD299.89/280) – works on next generation cancer testing. Illumina has stated previously that it does not intend to compete directly with Grail customers as a proprietary test provider. Secondly, Grail is in the product launch phase and its technology is unproven. While the planned initial public offering may have forced Illumina to act, the deal adds significant earnings and revenue risks. Lastly, we consider the price tag as rather stretched and the contingent value rights will add to the price if Grail's business surprises to the upside in the next 12 years. The stock trades on a 48x forward P/E. The deal will be significantly dilutive given Grail will not generate any earnings until at least 2023.

Philipp Lienhardt, CFA

Equity strategy Initiation: June 2020

Global cyclicals: Maintain Overweight recommendation

Cyclicals typically outperform during periods of rising global purchasing managers' indices (PMIs). We believe that US PMIs are likely to rise well above levels of 60, which is consistent with GDP growth above 2.5%, and believe that this is not yet fully reflected in the relative valuations of cyclical stocks. In addition, we expect bond yields to rise from current depressed levels, which has historically boded well for cyclical stocks. In light of depressed relative valuations, negative investor sentiment and relative investor positioning, we believe the sector rotation into cyclicals has a second leg. We reiterate our bullish view on cyclical sectors like financials, materials and industrials, as we continue to see tangible upside in absolute terms but also relative to the rest of the market.

Patrik Lang, CFA

Equity strategy Initiation: January 2019

Healthcare: Growth and attractive valuations – Overweight

Absolute valuations based on forward price-to-earnings ratios have dropped below long-term historical averages, despite attractive medium- and long-term growth perspectives. The structural growth results from the sharp rise in people over the age of 65 (+3.4% per annum according to the United Nations) who tend to use 3–3.5x more healthcare than the rest of the population. With regard to the medium-term perspective, we believe that political fears concerning a possible US healthcare reform following the US elections are overdone and would consider any weakness based on reform fears as a buying opportunity. Valuations are below historical averages, and healthcare continues to trade at a discount to consumer defensives, despite better growth perspectives. We have upgraded global healthcare from Neutral to Overweight, due to undemanding valuations, robust growth and strong balance-sheet quality.

Patrik Lang, CFA

Fixed income Initiation: April 2019/update: June 2020

US crossover bonds: Recession quickly priced in

The global outbreak of Covid-19 heavily affected asset prices, specifically riskier credit markets, which are now back in focus. However, market participants quickly priced in a recession, leading to a considerable spike in credit spreads and, hence, investor compensation. While the market has already recovered from the recent peak average spread, we continue to favour crossover debt at these levels, i.e. Baa/BBB and Ba/BB bonds. The comprehensive policy response, both fiscal and monetary, should support corporate credit. However, lower quality debt in structurally challenged sectors should be avoided. The malfunctioning of credit markets was quickly addressed by the monetary authorities, as they recognised the importance of the corporate bond market.

Markus Allenspach, Dario Messi, CFA

Fixed income Initiation: July 2019/update June 2020

EM hard- and local-currency debt: Diversification is key

The coronavirus and the oil-price shock are negatively affecting growth prospects globally, including emerging markets (EM). We have thus revised our EM GDP expectations downwards for 2020, expecting growth to return only in 2021. EM central banks have cut policy rates and announced stimulus measures to support their economies, but their room to manoeuvre is limited, as their public finances and currencies come under pressure. At his juncture, we prefer maintaining a diversified approach among EM and holding the strongest quality names in hard currency. In terms of regions, we are underweight Latin America, preferring Asia, mainly China.

Eirini Tsekeridou

Fixed income Initiation: May 2019/update: March 2020

Convertible bonds: A store of value

Investors in convertible bonds* basically accept a lower coupon in exchange for the right to convert the bond into the issuer's equity at a predefined time and rate. There are special forms that need to be considered, but in general, a convertible bond can be regarded as a combination of a bond and an equity. This explains the historical performance, which is higher for convertible bond indices than for pure bond indices, while the setbacks are lower for convertible bonds than for pure equity investments. This combination makes convertible bond investments attractive, given the downside risks we spot in the near term in light of the corona crisis and its consequences.

Markus Allenspach, Dario Messi, CFA

* Convertible bonds are considered as Packaged Retail and Insurance-based Investment Products (PRIIPs) and may only be sold to European Economic Area Resident Retail Investors if accompanied by a Key Information Document (KID).

Fixed income Initiation: February 2019/update: March 2020

EUR low-IG debt: Strong central bank support

The coronavirus crisis has affected the otherwise relatively stable EUR low-investment-grade (IG) segment. The credit spread spiked to levels above 2015/2016 but still below the highs reached during the European debt crisis. The European Central Bank has committed itself to supporting credit markets not only through the traditional banking channel but also via direct asset purchases, which has shifted towards more corporate bonds. The massive additional purchases recently announced have confirmed the central bank's commitment and should support the segment going forward. As such, and in light of the fiscal measures currently discussed or already announced to fight the economic impact of the coronavirus in Europe, we maintain an Overweight rating on EUR low-investment-grade debt. However, we would not like to go further down the credit quality ladder in Europe given the uncertain economic outlook for the old continent.

Dario Messi, CFA

NEXT GENERATION  Update: August 2020

Future Cities: Smarter and more sustainable

While the world's cities have been hit very hard by the corona crisis, we expect them to bounce back as they have after every crisis and to remain global growth engines. Technology has the potential to transform our cities, making them smarter and more sustainable. The expansion of the digital infrastructure, such as the 5G rollout, is key to making our cities fit for the future. We also see significant growth potential for classical infrastructure, which is supported by a broad-based stimulus, and building technology.

Carsten Menke, CFA

Corporate rating summary

American Tower (Buy, Price/Target: USD239.8/290)
Assa Abloy (Buy, Price/Target: SEK207.3/238)
Eiffage (Buy, Price/Target: EUR68.9/95)
Nokia (Buy, Price/Target: EUR3.2/5.2)
Qualcomm (Buy, Price/Target: USD114.5/150)
Trane Technologies (Buy, Price/Target: USD118.9/126)

NEXT GENERATION Initiation: July 2020

Cybersecurity: Fighting invisible threats

A good digital cybersecurity platform is more necessary than ever and will likely become even more crucial in the years to come. The trend towards a multipolar world and the resulting fragmentation of technology standards, coupled with increasing aggressor sophistication and the constant increase in potential attack vectors, is playing directly into the hands of cybercriminals. And if that is not enough to convince companies to invest more in cybersecurity, then the growing regulatory threat of high data-breach penalties will certainly do the trick.

Alexander M. Ruchti, CFA, FRM

Corporate rating summary

Accenture Plc (Buy, Price/Target: USD214.6/230)
Beazley (Buy, Price/Target: GBp313.6/515)

NEXT GENERATION Update: June 2020

Digital Disruption: Digital payments

We see the digital payments industry as a very attractive opportunity, supported by strong secular drivers, including the rise of digital commerce, increasing smartphone usage, rising payment complexity and regulation-led industry consolidation. This will also bring increasing global competition to the space, but we expect technologically superior, integrated payment-solutions vendors to disintermediate legacy merchant acquirers and payment processors. Importantly, high-tech entrants will continue to work with the dominant card-payment networks for now, which will reap the benefits of their global near duopoly.

Alexander M. Ruchti, CFA, FRM

Corporate rating summary

American Express (Buy, Price/Target: USD96.3/115)
Mastercard (Buy, Price/Target: USD331.8/350)
PayPal Holdings (Hold, Price/Target: USD187.3/180)
Visa (Buy, Price/Target: USD197.3/220)

NEXT GENERATION Update: June 2020

Energy Transition: Clean energy

The fundamentals of the clean energy business remain sound. Competitive costs provide an edge over fossil fuels, and demand from businesses for clean energy is increasing. The corona crisis has dented power consumption; inflexible coal and nuclear power plants have been the most negatively affected. Project delays are a key risk. The trend towards sustainable investing and climate-friendly portfolios cyclically lifts valuations and should lend further tailwinds. Our Constructive view particularly applies to the utility, and less so to the equipment, part of the theme.

Norbert Rücker

Corporate rating summary

NextEra Energy (Hold, Price/Target: USD281.8/285)
Orsted (Hold, Price/Target: DKK880/850)
RWE (Buy, Price/Target: EUR31.4/38)
SSE (Buy, Price/Target: GBp1190/1600)

NEXT GENERATION Update: June 2020

Energy Transition: Future mobility

The corona crisis has brought the automobile business to a standstill, with dealerships shut and supply chains disrupted. Even with a recovery over the coming months, car sales will see a serious dent in 2020. The outlook for electric cars remains solid. In China, subsidy cuts have almost fully erased the demand for short-range, low-cost electric vehicles, while sales of more expensive cars are holding up well. In Europe, new models are leading to surging sales and record market shares so far this year. The timing of our recommendation (January 2020) was dismal, but the theme has already recouped most of its losses. New models and stimuli remain positives. We stick to our Constructive view.

Norbert Rücker

Corporate rating summary

Aptiv (Buy, Price/Target: USD86.4/92)
Infineon (Buy, Price/Target: EUR23/25)

NEXT GENERATION Update: June 2020

Arising Asia: Asian tourism

The corona crisis has hit the travel and tourism industries the hardest, not just in Asia but all over the world. We still see the crisis as a short-term dent in a longer-term trend. That said, some segments, such as airlines and hotels, should struggle for longer. The longer-term trend in Asian tourism is still defined by increasing prosperity, improving infrastructure and the people's desire to explore the world. With that in mind, we stick to our overall positive outlook but recommend being selective.

Damien Ng, PhD

Corporate rating summary

Booking Holdings (Buy, Price/Target: USD1657.8/2000)
Estée Lauder (Buy, Price/Target: USD215.2/245)
Galaxy Entertainment (Buy, Price/Target: HKD52.2/66.5)
L'Oreal (Buy, Price/Target: EUR270.7/315)
LVMH (Buy, Price/Target: EUR400.2/450)
Sands China (Buy, Price/Target: HKD30/36)

NEXT GENERATION Update: June 2020

Arising Asia: Healthy China

Independent of the recent Covid-19 impact on healthcare in China, the country continues with its structural reforms to the system. These reforms are aimed at reducing generic drug prices, minimising the use of adjuvant drugs that do not prove strong clinical efficacy, and fostering domestic drug innovation. Large pharmaceutical companies with strong, innovative drug pipelines and research-and-development capabilities will thus become more resilient and defensive. Industry consolidation is likely to accelerate in the healthcare sector over the next years, driven by government-led policies and competition.

Damien Ng, PhD

Corporate rating summary

AstraZeneca (Buy, Price/Target: GBp8576/9800)
CSPC Pharmaceutical (Buy, Price/Target: HKD14.9/18.5)
Shanghai Fosun Pharmaceutical-H (Buy, Price/Target: HKD33/37)
Sino Biopharm (Buy, Price/Target: HKD8.6/11)

NEXT GENERATION Update: May 2020

Shifting Lifestyles: Extended longevity

Extended longevity is one of the most powerful demographic trends of our time. As a result, the share of consumption attributable to older generations has been rising and should continue to do so in the future. Furthermore, their spending patterns differ significantly from that of younger generations. Obviously, an ageing population tends to be sicker and thus requires more medical care. Nevertheless, there are also significant differences in spending in other sectors, from which firms should be able to profit.

Damien Ng, PhD

Corporate rating summary

Allianz (Buy, Price/Target: EUR162/220)
Bristol-Myers (Buy, Price/Target: USD59.5/75)
Estée Lauder (Buy, Price/Target: USD215.2/245)
Geberit (Hold, Price/Target: CHF533.2/550)
Sanofi (Buy, Price/Target: EUR86.6/105)

NEXT GENERATION Update: May 2020

Shifting Lifestyles: Genomics 3.0

The Covid-19 pandemic has put genomics into the limelight of medical research, as it allows understanding the virus and its mutations. More generally, medical breakthroughs in the field of genomics could help unriddle the unsolved mysteries around a large number of untreatable diseases and raise the hopes of finding personalised cures for patients. Gene therapies, as well as contract research organisations to which gene testing and genetic research are often outsourced, will be future growth areas.

Damien Ng, PhD

Corporate rating summary

BB Biotech (Buy, Price/Target: CHF65.8/74)
Lonza (Buy, Price/Target: CHF568.8/610)
Merck KGaA (Buy, Price/Target: EUR124/125)
Thermo Fisher (Buy, Price/Target: USD422.3/460)

NEXT GENERATION Update: March 2020

Shifting Lifestyles: Digital health

The spreading of the coronavirus has exposed the woeful shortcomings of healthcare systems all over the world. This should serve as a wake-up call to make the systems more resilient, while at the same time fight rapidly rising costs. We believe the introduction of digital technologies will play an important role in the transformation of the healthcare industry. Healthcare will no longer be limited to the confines of the doctor's office but will also include locations like your home, workplace or holiday destination, thanks to technology.

Damien Ng, PhD

Corporate rating summary

Abbott Labs (Buy, Price/Target: USD103.5/115)
Boston Scientific (Buy, Price/Target: USD37.3/45)
Medtronic (Buy, Price/Target: USD103.2/120)
Thermo Fisher (Buy, Price/Target: USD422.3/460)
Zimmer Biomet (Buy, Price/Target: USD135/170)

NEXT GENERATION Update: November 2019

Shifting Lifestyles: Global education

Education is a structurally growing industry, offering attractive investment opportunities thanks to technological change. Technology is improving the return on investment, allowing providers to expand their reach while delivering content more efficiently. Increasing governmental and middle-class spending on education in emerging markets is creating opportunities for for-profit education providers, along with an increasing global demand for higher education. We prefer education-technology service providers, since they are the key beneficiaries of the structural shift to online education.

Damien Ng, PhD

Corporate rating summary

New Oriental Education & Technology (Buy, Price/Target: USD149.2/150)
Tal Education (Hold, Price/Target: USD72.1/81)

NEXT GENERATION Update: September 2020

Digital Disruption: Cloud computing & AI

The ever-greater accumulation of immense data sets by the leading internet firms, as well as the technological improvements related to cheaper computing power and internet connectivity, are the key drivers underlying the acceleration of the current progress in artificial-intelligence (AI) technologies. Importantly, we see the increasing adoption of both AI and cloud computing as going hand-in-hand, since they reinforce each other.

Alexander M. Ruchti, CFA, FRM

Corporate rating summary

Adobe Systems (Buy, Price/Target: USD479.8/510)
Alphabet A (Buy, Price/Target: USD1439.1/1730)
Baidu (Hold, Price/Target: USD123.8/130)
Facebook (Buy, Price/Target: USD254.8/290)
Microsoft (Buy, Price/Target: USD207.8/240)
SAP (Buy, Price/Target: EUR130/160)

NEXT GENERATION Update: June 2019

Shifting Lifestyles: Globesity

Obesity/being overweight is one of the major challenges facing the world today. Based on data provided by the World Health Organisation, the number of overweight or obese people worldwide has more than doubled since 1980, with not a single country succeeding in reversing the trends. Rising obesity rates and the growing awareness of health create broad-based investment opportunities related to globesity, e.g. in healthcare, food and beverages, as well as sportswear.

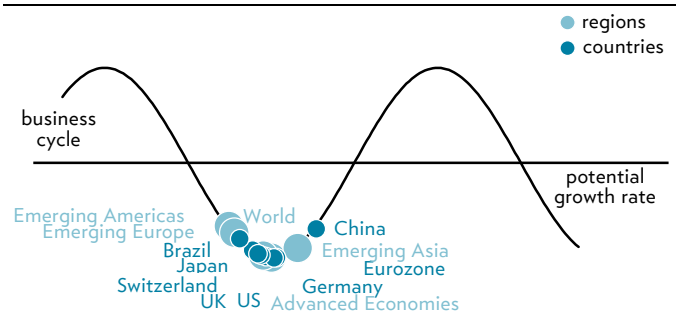
Damien Ng, PhD

Corporate rating summary

Adidas (Buy, Price/Target: EUR278.5/290)
AstraZeneca (Buy, Price/Target: GBp8576/9800)
Danone (Buy, Price/Target: EUR54.6/62)
Nestlé (Buy, Price/Target: CHF109.8/120)
Roche (Buy, Price/Target: CHF331/380)
Sprouts Farmers Market (Buy, Price/Target: USD21/26)

MATTERS OF DEBATE

Economic cycle



Source: Julius Baer

- Global backdrop: eased Covid-19 lockdowns allowed most economies to rebound in Q3. The first leg of the recovery is V-shaped, but the way forward will be bumpy. GDP in most developed markets will not reach pre-crisis levels before late 2021.
- Monetary and fiscal policy: major central banks delivered 'all-in' policy easing. The EU pushed forward with its fiscal rescue package, while politics is delaying more support in the US.
- US: the new inflation averaging framework heralds more monetary easing. The abating pandemic facilitates the recovery. A Democratic sweep at the 3 November elections is not unlikely.
- Eurozone: with limited policy space, the ECB focuses on liquidity provision. The crisis has led to an EU-wide rescue package and calmed break-up fears. The recovery has lost momentum.
- UK: fruitless trade talks raise no-trade-deal Brexit risks. Facilitated border process promises to limit frictions, but W-shaped recession risk looms. BoE so far refraining from negative rates.
- Japan: the recession, due to slowing exports and weak consumption after the VAT hike, was worsened by the corona crisis.
- China: first in and first out of the Covid-19 crisis, an impressive recovery was recorded in Q2. Continued policy support should sustain the recovery of the lagging private sector.
- Switzerland: SNB remains alert to prevent franc (safe-haven) appreciation given improving fundamentals as a backdrop.

David Alexander Meier

Forecasts	Real growth			Inflation		
(year-on-year, %)	2019	2020E	2021E	2019	2020E	2021E
World	3.2	-3.0	6.5	3.9	3.5	3.7
United States	2.2	-4.0	3.5	1.8	1.2	1.6
Eurozone	1.3	-7.3	6.0	1.2	0.5	1.1
Germany	0.6	-5.5	5.0	1.4	0.5	1.0
United Kingdom	1.5	-10.8	5.1	1.8	1.3	1.6
Switzerland	1.2	-4.4	4.7	0.4	-0.8	-0.2
Japan	0.7	-6.0	2.7	0.5	0.2	0.2
China	6.1	1.2	8.8	2.9	3.0	1.9
Brazil	1.1	-7.0	4.0	3.7	3.0	3.5

Source: Julius Baer, E = Estimates

* The risk positioning illustrates our general stance towards risk assets such as equities and corporate bonds within an investment portfolio based on our short-term (1-3 weeks) assessment of the financial market backdrop.

Coronavirus pressures policymakers to stimulate

The coronavirus pandemic pushed the global economy into a harsh recession, forcing policymakers to stimulate their economies by monetary and fiscal means, at levels never seen before. In the meantime, most central banks have moved 'all-in' with liquidity-enhancing measures and unconventional monetary policies. Where possible, rates have been cut to near zero, asset purchases have been stepped up massively to reduce credit spreads and volatility, and guarantees have been given to banks for ample liquidity supply to help keep affected companies solvent. While monetary policy can provide a framework to prevent financial market shocks from aggravating the unfolding recession, massive fiscal stimuli are now becoming very important (at the expense of previous austerity) for facing the loss of demand that is hitting companies due to the containment measures to stop the coronavirus from spreading. Fiscal stimuli may take time to materialise but are key to containing a slide into a systemic crisis – an economic depression beyond the coronavirus pandemic – and to help prevent destabilising feedback loops from financial markets.

Janwillem Acket

US politics: 2020 presidential elections

The handling of the Covid-19 pandemic in the US and its economic fallout have become crucial factors for the US presidential election in November 2020. President Donald Trump's approval rating has recovered but is still lower than before the Covid-19 pandemic started to spread in the US. The impression that the nation is being perceived as heading in the wrong direction is still widespread, as the impact of an unprecedented drop in economic activity and a record surge in unemployment is still being felt. The Democratic presidential candidate Joe Biden has a decent chance of mobilising the Democratic electorate by focusing on healthcare, education and wealth distribution, which have all increased in importance during the pandemic. Despite some bipartisan efforts to fight the negative economic fallout of the spread of Covid-19, the US electorate remains deeply polarised, making the outcome of the US presidential election still too close to call.

David Kohl

China: Impressive recovery

The outbreak of the coronavirus led to a massive slump in economic activity in the first quarter, dragging the Chinese economy down by 6.8% year-on-year. China was the first country affected by the coronavirus pandemic, and it is the first to recover from the economic fallout. The impressive recovery in the second quarter fully made up for the losses in terms of gross domestic product encountered in the first quarter and restored economic output to pre-crisis levels. The strong recovery was mainly led by the production side and was driven by catching-up effects, pent-up demand, resilient exports and government support. Private consumption and investment, on the other hand, were lagging behind. The recovery is set to continue at a slower pace in the next quarters. The authorities will likely continue with their support through fiscal and monetary policies so that the private sector is able to fully recover.

Sophie Altermatt, PhD

IMPORTANT LEGAL INFORMATION

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APPENDIX

Analyst certification
The analysts hereby certify that views about the companies discussed in this report accurately reflect their personal view about the companies and securities. They further certify that no part of their compensation was, is, or will be directly or indirectly linked to the specific recommendations or views in this report.

Methodology
Please refer to the following link for more information on the research methodology used by Julius Baer analysts:
www.juliusbaer.com/research-methodology

Structure
References in this publication to Julius Baer include subsidiaries and affiliates. For additional information on our structure, please refer to the following link:
www.juliusbaer.com/structure

Price information
Unless otherwise stated, the price information reflects the closing price of the previous trading day.

Disclosures
BB Biotech, Helvetia Holding, Nestlé, Roche Holding: Julius Baer holds > 0.5% net short position of the total issued share capital.
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Frequently used abbreviations

adj.	adjusted	bps	basis points	c.c.	constant currencies
capex	capital expenditure	consensus	average analyst expectation	DM	developed market(s)

E	estimate	ECB	European Central Bank	EM	emerging market(s)
Fed	US Federal Reserve	FX	foreign exchange	FY	Fiscal year
GDP	gross domestic product	H1; H2	first/second half of the year	ISM	Institute for Supply Management
l.h.s.	left-hand scale	m/m	month-on-month	market cap.	market capitalisation
p.a.	per annum	PMI	purchasing managers' index	PPP	purchasing power parity
Ppt	percentage point(s)	q/q	quarter-on-quarter	Q1; Q2	first/second/third/fourth quarter
REIT	real estate investment trust	r.h.s.	right-hand scale	WTI	West Texas Intermediate
y/y	year-on-year	YTD	year-to-date		

Equity research

Frequently used abbreviations

CAGR	Compound annual growth rate	DCF	Discounted cash flow	EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation	EPS	Earnings per share	EV	Enterprise value
FCF	Free cash flow	MV	Market value	PEG	P/E divided by year-on-year EPS growth
P/B	Price-to-book value	P/E	Price-to-earnings ratio	P/TBV	Price-to-tangible book value
ROE	Return on equity	ROI	Return on investment	ROIC	Return on invested capital
RoTE	Return on tangible equity				

Equity rating allocation as of 28/09/2020

Buy	44.8%	Hold	54.5%	Reduce	0.7%

Equity recommendation history

Please refer to the following link for more information on the current and 12-month historical investment recommendations made in relation to equities covered by Julius Baer Research.
www.juliusbaer.com/recommendation-history

Rating system

Buy	Expected to outperform the regional industry group by at least 5% in the coming 9-12 months, unless otherwise stated.
Hold	Expected to perform in line (±5%) with the regional industry group in the coming 9-12 months, unless otherwise stated.
Reduce	Expected to underperform the regional industry group by at least 5% in the coming 9-12 months, unless otherwise stated.

Frequency of equity rating updates

An update on Buy-rated equities will be provided on a quarterly basis. An update for Hold and Reduce-rated equities will be provided semi-annually or on an ad-hoc basis.

Risk rating system

The risk rating (High/Medium/Low) is a measure of a stock's expected volatility and risk of losses in case of negative news flow. This non-quantitative rating is based on criteria such as historical volatility, industry, earnings risk, valuation and balance sheet strength.

Equity strategy research

Countries, sectors and investment styles are rated 'Overweight', 'Neutral' or 'Underweight'. These ratings are based on our expectations for relative performance versus regional and global benchmark indices.

Overweight	Expected to outperform regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.
Neutral	Expected to perform in line with regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.
Underweight	Expected to underperform regional or global benchmark indices in the coming 9-12 months, unless otherwise stated.

Equity investments are divided into three different risk segments. Risk here is defined as the historical five-year volatility based on monthly returns in CHF. Based on the data of all segments considered (developed markets, emerging markets, global sectors, investment styles) the following distinction is made:

Conservative	Investments whose historical volatility is in the bottom quartile of the universe described above.
Medium	Investments whose historical volatility is in the middle two quartiles of the universe described above.
Opportunistic	Investments whose historical volatility is in the top quartile of the universe described above.

Fixed income research

Frequently used abbreviations

FCF	Free cash flow	CFI	Cash flow from investing	EBIT	Earnings before interest and taxes
CFO	Cash flow from operation	FFO	Funds from operation	EBITDA	Earnings before interest, taxes, depreciation and amortisation
CFF	Cash flow from financing	RCF	Retained cash flow	EM	Emerging Markets

Issuer rating allocation as of 28/09/2020

Buy	24.2%	Hold	71.4%	Sell	4.4%

Issuer recommendation history

Please refer to the following link for more information on the current and 12-month historical investment recommendations made in relation to fixed income issuers covered by Julius Baer Research.
www.juliusbaer.com/recommendation-history

Issuer rating system

Buy	The issuer has a strong financial and business profile (e.g. strong balance sheet, income statement and cash flow) and its bonds are an attractive investment from a risk/return perspective.
Hold	The issuer has stable credit fundamentals and/or average expected return characteristics relative to industry peers and its bonds remain an attractive investment from a risk/return perspective.
Sell	The issuer's fundamental data has deteriorated significantly relative to industry peers and its bonds are no longer an attractive investment from a risk/return perspective.

Frequency of issuer rating updates

Financial or corporate issuers will be updated as events warrant and at least once semi-annually. Sovereign or supranational issuers will be updated as events warrant and at least once annually.

Market segment ratings

Overweight	Expected to outperform the broad fixed-income market over the next 3-6 months.
Neutral	Expected to perform in line with the broad fixed-income market over the next 3-6 months.
Underweight	Expected to underperform the broad fixed-income market over the next 3-6 months,

Risk categories

Conservative	Supranational issuers, top-rated sovereigns or bodies directly and fully guaranteed by such institutions. These issuers are most likely to preserve their top rating throughout the business cycle.
Quality	Sovereigns and corporate issuers very likely to service and repay debt within a five-year credit scenario. These issuers are likely to preserve their investment-grade rating throughout a normal business cycle.
Opportunistic	Issuers quite likely to service and repay debt within a five-year credit scenario. They have an attractive risk/return profile, but are subject to rating downgrade risk and might thus be periodically replaced.
Speculative	Sub-investment-grade issuers likely to service and repay debt in the current credit scenario. These issuers are subject to a higher downgrade and default frequency, demanding active management.

Credit rating definition

Following the definitions and methodology of credit rating agencies

	Moody's	Standard & Poor's	Fitch Ratings	Credit rating definition
Investment-grade	Aaa	AAA	AAA	Obligations are of the highest quality, with minimal credit risk.
	Aa1, Aa2, Aa3	AA+, AA ,AA-	AA+, AA, AA-	Obligations are of high quality and subject to very low credit risk.
	A1, A2, A3	A+, A, A-	A+, A, A-	Obligations are subject to low credit risk.
	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-	Obligations have certain speculative characteristics and are subject to moderate credit risk.
Non-investment-grade	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	Obligations are subject to substantial credit risk.
	B1, B2, B3	B+, B, B-	B+, B, B-	Obligations are speculative and subject to high credit risk.
	Caa1, Caa2, Caa3	CCC+, CCC, CCC-	CCC+, CCC, CCC-	Obligations are of poor standing and subject to very high credit risk.
	Ca	CC, C	CC, C	Obligations are highly speculative and are likely in or close to default, with some prospect of recovery of principal and interest.
	C	D	D	Obligations are typically in default, with little prospect of recovery of principal or interest.

Commodity Research

Rating system

Bullish	Upward-sloping price path, taking into account historical volatility.

Constructive	Future price path has more upside than downside.
Neutral	Sideways-trading prices, taking into account historical volatility.
Cautious	Future price path has more downside than upside.
Bearish	Downward-sloping price path, taking into account historical volatility.

Specific commodity investment recommendations

Specific commodity investment recommendations are made depending on the upside (bullish) or downside (bearish) for single commodities, depending on the shape of the term structure and depending on the volatility of the curve. Recommendations can be either on the long or short side of futures contracts or even a combination of both (e.g. pair trades) and are published on a regular basis.

Currency Research

Rating system

Bullish	Volatility-adjusted total expected return ranks in the upper quartile of a normal distribution-scaled ranking of covered currencies.
Neutral	Volatility-adjusted total expected return ranks between the upper and lower quartile of the normal distribution-scaled ranking of covered currencies.
Bearish	Volatility-adjusted total expected return ranks in the lower quartile of a normal distribution-scaled ranking of covered currencies.

Technical analysis

The information and opinions expressed were produced by Julius Baer Technical Analysis as of date of writing and are subject to change without notice. Julius Baer conducts primary technical analysis aimed at creating value through investment recommendations. Technical Analysis uses historic market prices in order to assess market conditions. The historic data is analysed by chart reading i.e. by following chart patterns and interpreting indicators calculated from historic price movements. **Technical Analysis may be inconsistent with and reach different conclusions to fundamental analysis**. **It may vary at any time** due to the different tools used to assess market conditions and recommendations. Besides individual investment recommendations, Technical Analysis also publishes technical indicator readings, which are mechanically calculated and only provide additional information to large sets of data, and are not intended as investment recommendations. These tables show current trends on an absolute price or relative basis using up, flat and downward pointing arrows. At the same time, support and resistance levels might be displayed which are calculated using Bollinger Bands.

Frequently used abbreviations

C	Closing price	H	High price	L	Low price
ST	Short-term (2-8 weeks)	MT	Medium-term (8-26 weeks)	LT	Long-term (> 26 weeks)
MAV	Moving average				
Bollinger-band	The middle Bollinger band is a 20 day simple moving average, the higher and lower bands are calculated as a 20-day simple moving average plus or minus two standard deviations on a 20-day period.				
Momentum	Momentum is derived from different rate of change calculations based on the underlying instrument.				

Rating system for global technical analysis (absolute)

Buy	Expected to advance by at least 10% in the coming 3-12 months, unless otherwise stated.
Hold	Expected to perform in line (±5%) in the coming 3-12 months, unless otherwise stated.
Reduce	Expected to decline by at least 10% in the coming 3-12 months, unless otherwise stated.

Rating system for global technical analysis (relative)

Overweight	Expected to outperform its benchmark by at least 5% in the coming 3-12 months, unless otherwise stated.
Neutral	Expected to perform in line (±5%) against its benchmark in the coming 3-12 months, unless otherwise stated.
Underweight	Expected to underperform its benchmark by at least 5% in the coming 3-12 months, unless otherwise stated.

Technical analysis recommendation history

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