



# FLASH BOURSIER

## RENEWED CONCERNS ABOUT THE PANDEMIC

### Highlights:

### Prospect of fresh stimulus in the US

### SNB holds key interest rate

### Overview

Financial markets are dominated by two pivotal themes: the Covid-19 comeback and prevarication in Congress over the next dose of fiscal stimulus. The number of positive test results is surging again in many European countries, which is stoking fears of renewed lockdowns – in France, to begin with. Correspondingly, the EU has called on its Member States to get a grip ‘immediately’ in the face of the latest outbreaks. Investors are equally worried, resulting in a sharp fall in the Eurostoxx 50, which is back testing its June lows. Cyclical stocks in particular have taken a bashing, while renewed dollar strengthened has dragged down the price of precious metals.

Who knows where we are heading? Multiples are looking stretched, as illustrated by the correction hitting tech giants. The US elections are nearing, and Washington and Beijing remain at loggerheads. In short, the atmosphere is no longer conducive to runaway rallies on stock indices. Yet a glimmer of hope was seen on Friday amid the talks between House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin over a possible new dose of fiscal stimulus before the elections.

Fed Chair Jerome Powell said the world’s largest economy needs fresh stimulus if it wants to lock in the recovery, pointing to rising defaults among businesses and on mortgages. The Fed itself balks at the idea of further monetary measures; as things stand, it plans to keep rates low until 2024, if required. In Europe, the Swiss National Bank unsurprisingly kept its benchmark policy rate

at -0.75% last week, while the Bank of England is mulling the idea of negative rates. With rates set to stay low, the downtrend in European insurance and banking stocks has continued.

In the US, initial jobless claims showed no sign of improvement last week. In contrast, new home sales in August signalled brisk demand, rising by 5%. So the news is not all bad.

Donald Trump’s fast-track appointment of Amy Coney Barrett to the Supreme Court is seen as highly controversial. It will probably be ratified in the Senate, which has a Republican majority (43-47). The appointment comes on the eve of the first of Trump’s three televised debates against Democrat nominee Joe Biden. The odds suggest that the two candidates are neck and neck for 3 November. The sitting president – who said he will not go without a fight – wants to have one more Justice in his camp in case the election results are contested. It is estimated that 80 million Americans will use the postal ballot.



The SMI ended last week slightly below support at 10350 points but this does not undermine the uptrend, which is set to resume.

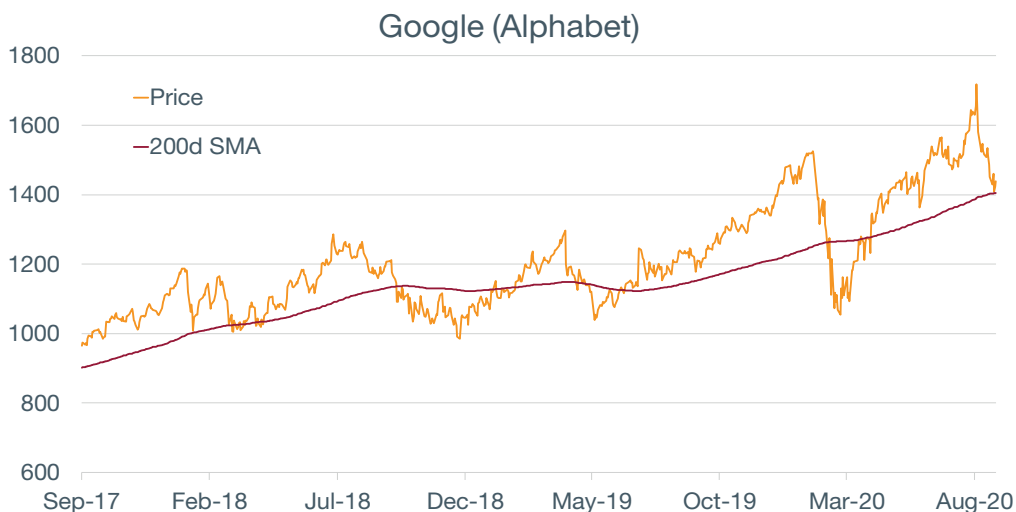
### Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI EMERGING MARKETS
Latest	0.93	1.08	10'216.28	3'137.06	12'469.20	4'729.66	5'935.98	3'298.46	10'913.56	23'204.62	1'059.10
Trend	↑	➡	↓	↓	↓	↓	➡	↓	↓	➡	↓
%YTD	-3.96%	-0.50%	-3.77%	-16.24%	-5.89%	-20.88%	-21.30%	2.09%	21.63%	-1.91%	-4.98%



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### ALPHABET GOOGL US (ISIN: US02079K3059, PRICE: USD 1439.06)



Alphabet – Google's parent company – is 18% off its highs from earlier this month. But the technical picture shows the stock resting on its 200-day moving average, which ought to serve as support. Even if the tech correction may not be over, the stock has some strengths to bank on.

Google has more than USD 100 billion in cash after debt. Nor is it not trading at the heady levels of its sector (25x 2021 earnings). The group is also lining up major share buybacks. Google derives 83% of revenue from online advertising, a fast-growing market worth nearly USD 350 billion annually and which is growing by 15% per year.

The group is investing heavily in other industries, none of which yet contribute significantly to financial results. These include the cloud business line, which grew by 43% in the latest quarter, as well as cloud gaming. Other futuristic investments are under way, with USD 90 billion spent on R&D over the past five years: from self-driving vehicles and AI to quantum computing and robotics – a field in which Google has made a string of acquisitions, including some big names such as Boston Dynamics a few years back.

Alphabet is a worthy candidate for a direct investment or as the underlying asset in a reverse convertible or another structured product.

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