CORE CAPITAL

MARKET OPPORTUNITIES

March 2020

• Equity market route and coronavirus

Only 2 weeks ago the plan was to write about central banks' negative interest rate policy and the Swedish newly adapted policy of moving from negative to zero.

The current market turmoil has changed that idea and we feel it is appropriate to update you not only on the current market movements but also on the various action points we have taken at Core Capital to protect our client's portfolios.

US and European stocks slumped into correction territory last week as selling pressure driven by the coronavirus produced the worst week for equity markets since the financial crisis in 2008. Most equity markets are down 10-13 % since February 19th and although there are sectors which are particularly hard hit, the 10% mark is more the norm than the exception.

Governments have taken aggressive steps with the aim of containing the spread of the virus and as an example Japan has issued a de facto order for all schools to be closed for more than a month. Saudi Arabia has halted the entry of Muslim pilgrims visiting the holy cities of Mecca and Medina. In Europe several big exhibitions and conferences have been cancelled including the Geneva Auto Show this month.
This kind of disruption is not only about airlines flying half empty planes, hotels closing parts of the residence and sending staff on forced holiday, casinos in Las Vegas and Macau cancelling food & beverage contracts.
But it is just as much about long term import & export orders between major trading partners where one party is unable to meet the agreed obligation.
So far this year China has issued a record number of "force majeure" certificates in an effort to exempt local exporters from fulfilling contracts with overseas buyers, as their labour force has been unable to bring production back up after the Chinese New Year.

Prior to the equity market route we sold on February 13th our entire position in the Ishares Stoxx 600 Healthcare ETF as we found the valuations stretched. We have also sold half of our holding in the Morgan Stanley Global Brands fund as well as half of the CS Robotics fund.
Further, on the fixed income part we have decided to sell the entire position in the Blackrock Global Emerging Markets bond fund as we fear the spreads may widen to Investment Grade bond and Sovereign bonds, as a direct result of knock-on supply chain disruptions to second and third tier companies in Emerging markets. Our aim is to re-allocate the proceeds into higher quality issuers until such a time when the dust has settled from the coronavirus.

This does not mean that we do not have equity exposure in the portfolios. We have only found it prudent to reduce the equity related risk as the short-term visibility and clarity is no longer there and we have a clear desire to protect the good results from 2019.

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Markets – February 2020

Equity indices	Feb 2020	2020
MSCI ADWI	-8.21%	-9.38%
MSCI World	-8.10%	-8.35%
S&P 500	-8.41%	-8.57%
Euro Stoxx 50	-8.55%	-11.33%
DAX	-8.41%	-10.43%
FTSE 100	-9.68%	-13.08%
Nikkei 225	-8.89%	-10.80%
OMX 30	-6.42%	-5.78%
OMXC 25	-4.62%	-2.71%

Bond indices	Feb 2020	2020
Global Treasuries	0.87%	2.27%
Global High Yield	-1.83%	1.70%

Currencies	Price	Feb 2020
EUR/USD	1.1026	-0.60%
EUR/SEK	10.5839	-0.84%
USD/SEK	9.6050	-0.21%
USD/DKK	6.7773	0.60%

Interests	Feb 2020
US T-bill 3M	1.26%
Euribor 3M	-0.42%
Libor Fix 3M	0.67%
Stibor Fix 3M	0.14%
Cibor Fix 3M	-0.45%

Other	Feb 2020	2020
Gold	-0.22%	4.52%
Brent Crude Oil	-13.14%	-25.08%
HFRX Index	-0.78%	0.37%

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- Market outlook

Fixed income

As interest rates continue to set new low records it is clear that there is suddenly a divergence from High Yield, Junk, Emerging Debt into Investment Grade and Sovereign Debt. We are following this trend by selling Emerging Markets Debt and switching into higher quality holdings.

Equities

The short-term visibility has evaporated over the past week or so. We are primarily trying to avoid sectors such as : airlines, hotel groups, gaming, casino and car manufacturers. Our preferred sectors are : technology, biotech, specialised healthcare, internet security, robotics & automation and stable consumption.

Alternative Investments

Last year we saw a large number of hedge funds closing down and we retain our view that it's an expensive asset class which simply does not deliver.

Forex

The US dollar has weakened some 2 % since the expectation of US interest rate cuts became clear. The winners when there is volatility are JPY, CHF and EUR.
Currencies which have been under pressure in February are AUD,SEK,NOK