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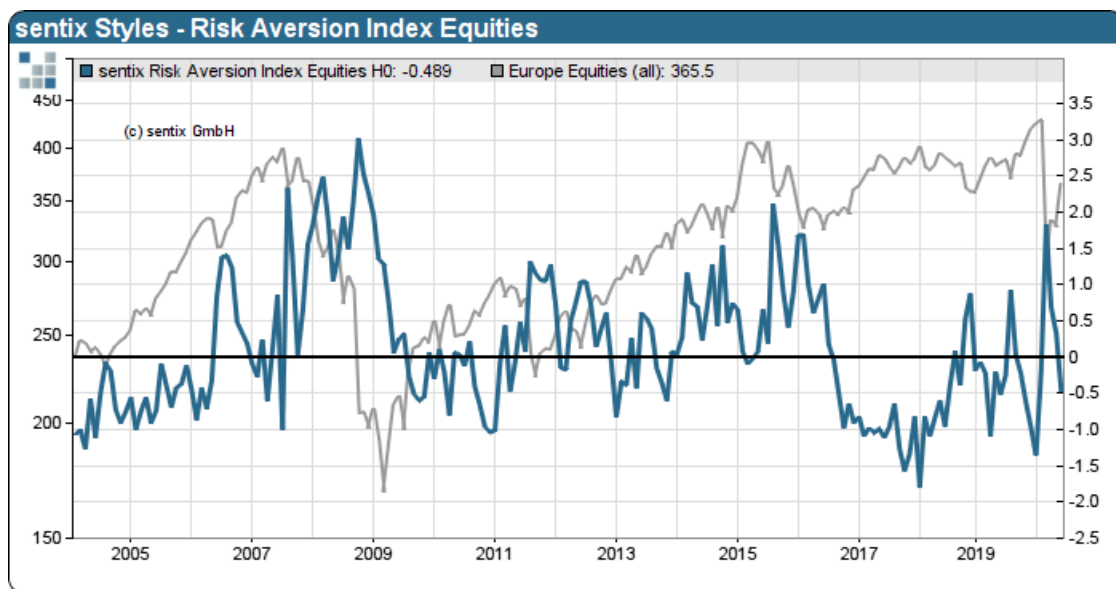
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Portfolio action requires justification

In March 2020, investors were in panic. Sentiment was poor and fears that the corona virus and lock-down measures would derail the global economy caused panic. And this in turn led to low investment levels and defensive positioning. But now, at the end of June, everything is better. Is it?

In the sentix data, which by the way was compiled last weekend for the 1,000th time among more than 5,000 investors worldwide, the corona crisis is easily recognisable. Panic in sentiment, underinvestment by investors. And an elevated risk aversion in the sentix risk aversion index.

This index is calculated from the investment segments and investment styles favoured by investors. If investors are risk-averse, they tend to invest in value rather than growth, in developed markets rather than emerging markets and in government bonds rather than corporate bonds. These and other factors are combined and statistically normalized in the Risk Aversion Index.



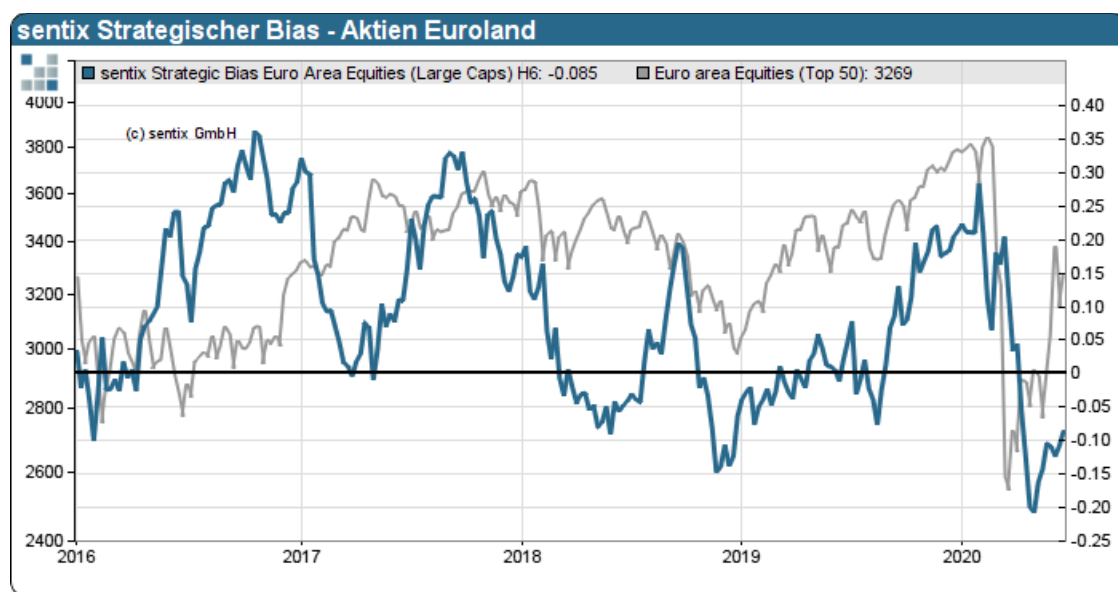
sentix Risk Aversion Index and Stoxx 600 Price Index

A lot has happened since the March low. Prices have risen considerably from the low, sometimes by 50% and more. The negative emotions have abated, although there is still no sign of good sentiment. Investor portfolios are no longer underinvested - they are almost "neutral". And risk aversion is gone, and a certain risk appetite is already evident again. Corporate bonds and growth stocks in particular are in high demand.



One could almost have the impression that the crisis has been overcome and investors are looking to the future with confidence in view of this optimistic portfolio orientation.

But far from it. The strategic bias, our indicator of investors' fundamental convictions, is still bobbing around at a low level. Although it has recovered somewhat recently, this reflects more an adjustment to rising prices than a genuine conviction on the part of investors.



sentix strategic bias Euroland equities and Euro Stoxx 50 Index

However, a problem arises from this. How can you align your portfolio offensively, how can you abandon your defensive portfolio action and still stick to the medium-term perspectives?

This is only possible if (a) one focuses exclusively on the factor liquidity and political actions. In this case, one could emphasize the positive blessings of low interest rates, expansive monetary policy and "alternative-less equities", but the question would then have to be asked why one was even afraid in March and turned one's back on the market.

Or one could overemphasize (b) the signals of a recovering global economy. In fact, many indicators are currently turning upwards. No wonder, in March and April the economy was down. Recovery tendencies in May and June are almost inevitable. There is now a danger that some investors will conclude, on the basis of the strong price gains, that the signs of recovery point to a rapid return to pre-crisis levels.

We do not share this positive view. If we look at international shipping traffic, for example, or the buying behaviour and visitor frequency in city centres, we can see that the burden is continuing and that the momentum is only positive to a limited extent.

We take a critical view of the current risk appetite in the absence of basic strategic confidence. Seasonally, we are aiming for an end to the positive share trend in mid-July. This could coincide with a new awareness that the economy is not fully recovering and is therefore causing considerable headaches for investors who are once again becoming more aggressive.

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