# KEHRLI & ZEHNDER

**INVESTMENT COMMENT**

November 2020

- **Best of both worlds**

  With a voter participation rate of 67%, more Americans casted their votes than ever before in US history. The tight race confirmed how polarized the country remains and how divided public opinion is. Joe Biden will be the 46th president without a unified Congress. History has shown that a Democrat President with a split Congress has on average yielded the best returns for both fixed income and equity markets.

  America is a center right/center left country where extreme policies tend not to take hold, as evidenced in the rejection of a carte blanche to progressive Green Deals, tax increases and multi-trillion stimulus packages. Yet, short-term relief for the COVID-unemployed and for small and mid-sized companies as well as basic healthcare for COVID patients are welcome.

- **Is Tech at risk with a Democratic President?**

  The CEOs of Google, Facebook and Twitter testified before the Senate last October. While the topic was control over misinformation on their platforms, it showed the concern over the economic and political power wielded by the large tech firms. While we expect continued pressure from the political leadership, the technology sector remains one of our favorites especially those digital players that benefit from the current COVID conditions.

  On the other side of the world, the $35 billion IPO of Ant Group in China was suspended just three days before the scheduled listing due to upcoming changes in fintech regulation. The abrupt suspension sends a clear signal as to who is in charge and will require online credit platforms such as Ant which provide loans to consumers and small businesses to put up more capital, subjecting them to similar supervision as banks. Could this be a prelude of what awaits U.S.'s tech giants under the new Biden Administration?

- **Welcome to the Roaring 20'ies**

  "The Roaring Twenties 2.0" will continue – albeit with a slightly different focus. An abundance of cash, pent-up demand, zero interest rates for the foreseeable future and extraordinarily accommodating central bank policies are supportive of the equity market. Look beyond the current recessionary fears as the markets are forward-looking by six to nine months.

  With the current shift of the balance of power to the Democrats and with the recent breakthrough in COVID prevention, we expect a meaningful sector rotation. We deem the following three themes as very interesting: a) technology, digital revolution and tokenization of the economy, b) sustainability, clean and renewable energy as well as ESG-values and lastly c) consumption, real estate and home improvement. Especially sectors which have been avoided due to the fight against COVID will see a resurgence and could surprise on the upside especially when we receive more positive data from the medical front.

- **Asset Allocation**

  We are keeping equity exposure at neutral with a slight upward bias. Fixed income remains our least favorite asset class. Due to the opaqueness of credit strategies and private debt, we also started to reduce non-traditional credit and lending strategies. We will keep out slight overweight to precious metals, while reducing U.S. dollar exposure for Swiss franc-based investors to a minimum.