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TOP TEN THEMES FOR 2021:

1. **There is no alternative (TINA) to Equities:** We expect a relatively synchronized global economic recovery in 2021 led by China, India and the emerging markets, and to a lesser extent by the reopening economies of the U.S. and Europe. Massive liquidity provided by central banks and government stimuli will continue to find their way into the financial markets. Paired with successful vaccination campaigns global equities should continue to rise, despite some potential profit taking early in the year.

2. **Risks to our base case:** Widespread resistance to vaccinations, virus mutations, side effects and distribution problems would reduce vaccine effectiveness. If unemployment programs are stopped before the economy finds traction, it could derail growth. What if investors lose confidence in the almost magical powers of central banker wizardry? Inflation will be back and expectations of rising rates will push down all assets. We do not think such a scenario would materialize despite record high valuations of U.S. equities (the S&P500's P.E. of 25x was only higher in 1999). But IPO exuberance and first-day performances are signs of caution. As a measure of precaution, we advise against using leverage.

3. **Don't hold fixed income as a hedge against equity losses.** High grade bonds are no longer negatively correlated to equities. Valuations of zero to negative interest rate securities are even higher than equities and historically low credit spreads make high grade bonds even less attractive. The fixed income market holds up mainly due to the willingness of central bankers to continue flooding the financial system with liquidity and regulation-driven pension fund investing.

4. **Post-Covid winners:** Geographically China, Southeast Asia, Japan and Germany are regions we favor in 2021. They have successfully fought Covid-19 and are best prepared to benefit from the post-vaccine catch-up demand. Germany should benefit from reasonable valuations of its automotive, chemical, financial and tourism industries.

5. **BREXIT will boost sentiment.** Although it took longer than expected, the current BREXIT deal will restore investor confidence. Freedom from stifling E.U. regulations will likely provide British equities with additional tailwind. Could this agreement serve as a blueprint for the negotiations between Switzerland and the E.U.?

6. **ESG and alternative energy.** Cynics may argue that these themes are self-fulfilling prophecies, but there is a clear megatrend towards a greener and more sustainable economy. Good stock pickers will outperform by incorporating these themes into their portfolios.

7. **The US dollar and emerging markets.** We expect Greenback weakness against major currencies to continue and advise non-USD based investors to be fully hedged. On the bright side, gold and emerging markets should benefit from a weak U.S. currency. Like in 2020, our favorite non-Asian emerging market is Brazil where important pension and market economy reforms were introduced.

8. **Gold and bitcoin can co-exist.** In a world of increasing stimulus and financial debasing, gold and particularly platinum will remain an anchor of stability and provide a refuge from speculation and greed. In a close-to-zero / negative interest rate environment gold offers protection at a very low opportunity cost. So does Bitcoin, albeit in a more speculative way and with much more volatility.

9. **Blockchain continues its march.** Blockchain technology will continue to give rise to innovative companies that help simplify processes, reduce transaction costs, allow for "tokenization" and with it, help create a market where fractional ownership of large-ticket items such as real estate, yachts and airplanes could be traded.

10. **For protection:** A combination of long volatility, CTA, US and global TIPS (Treasury Inflation Protected Securities) as well as precious metals should do the job. To reduce correlation to an overleveraged market, we would also suggest to invest in market neutral equity and opportunistic credit strategies.