

FLASH BOURSIER

HIGH HOPES FOR A CURE OR VACCINE

Overview

Highlights:

S&P500 at all-time high

Tech stocks continue to dominate

Virus cases have been on the rise since lockdown measures were eased. In response, restrictions are being tightened again, which might jeopardise the economic recovery. For example, France has now made mask-wearing compulsory in offices, but thankfully it has no plans for a nationwide closure of its economy.

The S&P 500 index is setting new record highs, while equity investors are approaching the end of August amid a sense of calm. Gold and precious metals have seen some profit-taking as risk appetites increase again. The US Department of Commerce last Monday placed 38 subsidiaries of Chinese group Huawei, operating in 21 countries, on its blacklist, which further restricts the group's access to chips carrying American technology. Even so, the trade bickering between Washington and Beijing is currently not a front-page issue seeing the renewed hopes for a Covid-19 cure or vaccine. Donald Trump, eyes firmly on the elections, wants to speed up procedures for bringing to market the experimental vaccine developed by Astra Zeneca in conjunction with the Oxford University. In addition, the Food and Drug Administration very recently gave fast-track approval for the emergency use of plasma from people who have recovered from the virus to treat those with serious symptoms.

The sector outlook has not changed in the last week. Tech stocks still dominate, benefiting

from strong financial positions and highly popular products in these times of social distancing. One of the powerhouses in the US stock rally is undoubtedly Apple, whose market capitalisation last week topped \$2 trillion. To give us an idea, this corresponds to the entire US financial sector and is almost double the market capitalisation of the SMI index. Trading on 8x revenue and 38x earnings, the group has undoubtedly become extremely pricey. From a broader standpoint, the widespread surge in the valuations of the tech stocks and a few chosen others such as Tesla seems to correspond to a behavioural shift among many investors who are thumbing their noses at fundamentals.

This coming Thursday Fed chief Jerome Powell will give his annual address at Jackson Hole during which he is expected to provide indications about the central bank's monetary policy. For the time being, long-term yields – the 10-year Treasury is at 0.64% – remain subdued despite the better-than-expected economic stats. Unsurprisingly then, minutes from the Fed's July meeting did not expose any urgency to change the direction of interest rates.



The SMI is due to stop consolidating this week, after which we hope for a clearer indication of its trajectory.

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	0.91	1.08	10'218.20	3'259.75	12'764.80	4'896.33	5'935.98	3'397.16	11'311.80	22'920.30	1'091.85
Trend	➔	➔	➔	➔	➔	➔	➔	⬆️	⬆️	⬆️	➔
%YTD	-5.79%	-0.94%	-3.76%	-12.96%	-3.65%	-18.10%	-21.30%	5.15%	26.07%	-3.11%	-2.05%

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BOHOO GROUP PLC: WHEN ESG DOES NOT MEAN SUSTAINABILITY



On 5 July, the British press revealed the damning results of a survey on working conditions at Boohoo, an online ‘fast fashion’ retailer based in Manchester. The company is accused of paying employees £3.50 per hour – barely a third of the minimum wage in the UK. In addition, Boohoo continued to operate during lockdown and failed to enact specific hygiene measures, including physical distancing. The stock lost almost one-third of its value after the news came to light.

The story is not pretty, but what is more worrying still is that the company was among the top-rated firms in terms of ESG criteria

and was therefore in the portfolios of many a fund manager. How is this possible? Rating agencies (such as MSCI or Sustainalytics) assess companies based on multiple criteria, some of which are weightier than others. That is why we should be wary of these ratings, which ought to be used more as a starting-as opposed to an end-point. ESG research is more than blind acceptance of ratings, and investors should always take care when selecting ESG-labelled assets.

The goal of sustainable investing is to achieve returns for people and the environment in addition to the monetary benefits. Boohoo has failed on both metrics.

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