

# BBGI PRIVATE BANKING INDICES

USD

A BBGI exclusivity since 1999

January 2021

## Beginning of the year 2021 in the red for the majority of asset classes

### POSITIVE PERFORMANCE FOR ONE OF THE THREE BBGI PRIVATE BANKING INDICES IN JANUARY

BBGI Private Banking Index « low risk »	-0.65%	(YTD -0.65%)
BBGI Private Banking Index « moderate risk »	-0.31%	(YTD -0.31%)
BBGI Private Banking Index « dynamic risk »	+0.03%	(YTD +0.03%)

### Comments (performances in USD)

The year 2021 starts slightly negative for the BBGI Private Banking USD indices. Indeed, two of the three indices are below zero performance. The low-risk index falls by -0.65% and the moderate-risk index loses -0.31%. Only the dynamic risk index maintains a positive performance for the third consecutive month (+0.03%). The bond markets start the new year in the red. The US segment continued the decline that began in December and lost -1.05%, while the international segment also went into negative territory (-1.28%) after two consecutive months of rise (+1.57% in November and +1.36% in December). The equity markets delivered a mixed January and for good reason the US segment finally reversed the very strong upward trend that had carried it in the last months of 2020 (-0.96%). As for the international segment, it maintains its upward path (+0.22%) although it shows a loss of momentum (+13.45% in November and +4.52% in December). The private equity sector is once again at the top of the best performance table and continues its ascent (+1.88%) but also reflects a certain loss of momentum (+18.44% in November and +9.08% in December). Hedge Funds have reversed the upward trend of the last two months (-2.45%). The international real estate market was one of the asset classes to have gained the most from the renewed optimism of investors during the end of 2020, but underwent a slight correction in January (-0.78%). The Commodities sector made the best start this year 2021 and made a gain for the third consecutive month (+4.94%), still driven by the rise in crude oil prices.

### Financial market developments (performances in local currencies)

The beginning of 2021 is already clearly highlighted by new expectations of an economic recovery in the United States, fears of an uncontrolled increase in debt, a resumption of inflation in 2021 and a resurgence of speculative activity. The US Treasury's 10-year rates initially jumped by nearly 30 basis points, from 0.9% to 1.18% in the first week. In the euro zone, there was a less noticeable movement, which for the moment is more consistent with a stabilization than a clear trend reversal. In Switzerland, federal government rates also experienced a net adjustment, rising from -0.59% at the lowest point in January to -0.4%, at the highest level of the last six months. The beginning of the vaccination campaigns reassures but does not prevent various forms of restrictions on negative economic influences for the first quarter. However, the Covid-19 factor no longer has a direct influence on investor sentiment which still seems very optimistic. The month of January will have been volatile in the equity markets increasingly influenced by private investors "speculators" with their extreme practices seeking to manipulate the markets. The manipulation of the Gamestop stock from \$19 to nearly \$500 in January alone is one example, but the explosion from 80 to 400 of the Goldman Sachs Non-Profitable Technology Index over the last six months is a broader testimony to the recent influence of these investors on the market as a whole. with the exception of emerging markets (+2.99%), all major equity markets ended the month down. Swiss (-3.4%) and international (-1.1%) real estate investments were also in the red. Raw materials (+4.9%) benefited from the rise in crude oil (+7%) and the return to growth in 2021, while private equity (+2.6%) continued its course. The investment climate remains optimistic due to the lack of alternatives to risky assets despite PE of 22x earnings for 2021 in the USA for example. However, the current speculative boom as well as the deterioration of technical and quantitative indicators should suggest caution.

### PERFORMANCES BY ASSET CLASSES (USD)

#### JANUARY

+ 4.94%	Commodities
+ 1.88%	Private Equity
+ 0.22%	International Equities
- 0.17%	Hedge Funds
- 0.78%	International Real Estate
- 0.96%	US Equities
- 1.05%	US Bonds
- 1.28%	International Bonds

#### YTD

+ 4.94%	Commodities
+ 1.88%	Private Equity
+ 0.22%	International Equities
- 0.17%	Hedge Funds
- 0.78%	International Real Estate
- 0.96%	US Equities
- 1.05%	US Bonds
- 1.28%	International Bonds

## COMMENTS BY ASSET CLASS

### Bond Markets

Beginning of the year slightly "bearish" for the capital markets. Long-term interest rates are beginning to take into account the more positive outlook for an economic recovery in 2021, despite some signs of weakness in the European economies in particular. Volatility remains low and risk premiums are stabilizing at low levels. A rise in inflation in the coming months could potentially increase by as much as 2.5%-3% in the United States and be more favorable to Treasury Inflation Protected Securities (TIPS) and Floating Rate Notes (FRNs). In Switzerland, the spread between the yield on BBB bonds (0.36%) and the 10-year federal government bond (-0.41%) shrunk further to 77bp (2.46% at the year's high in March). Yield pick-up strategies at risk.

### Equities

The correction at the end of the month wiped out the solid start for the year in the equity markets. A slight doubt seems to overshadow the optimism that prevailed before the speculative excesses of retail investors in the United States which once again demonstrated the vulnerability of the equity markets, which were boosted by the liquidity of central banks. Technical and quantitative factors point to a high risk of an end of trend in the short term and suggest an increase in the probability of a price correction. The persistence of low interest rates and the support of central banks currently outweigh the risks associated with overvalued equity markets.

### Real Estate

The real estate sector was one of the asset classes that was most favoured by investors during the end of 2020 (+13.45% in November and +4.52% in December) but the loss of the momentum that was observed over the last two months resulted in a decline in January (-0.78%).

### Private Equity

After two months of spectacular growth (+18.44% in November and +9.08% in December) driven by a feeling of imminent recovery, the sector is still attracting interest and continues its rise in January (+1.88%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Previous Quarter			YTD	Full Year				Annualized Performances	
	November 2020	December 2020	January 2021	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2020	1993 to this day
BBGI Group PBI "LOW RISK" (65% fxd income)	4.84%	1.84%	-0.65%	-0.65%					9.08%	5.95%
BBGI Group PBI "MODERATE RISK" (45% fxd income)	7.09%	2.77%	-0.31%	-0.31%					8.60%	6.43%
BBGI Group PBI "DYNAMIC RISK" (25% fxd income)	9.34%	3.70%	0.03%	0.03%					7.79%	6.82%
<b>Subindices</b>										
US Bonds	0.36%	-0.24%	-1.05%	-1.05%					7.98%	4.92%
International Bonds	1.57%	1.36%	-1.28%	-1.28%					10.11%	4.75%
US Equities	11.52%	4.08%	-0.96%	-0.96%					20.73%	9.67%
International Equities	13.45%	4.52%	0.22%	0.22%					10.65%	5.69%
Private equity	18.44%	9.08%	1.88%	1.88%					10.47%	8.84%
Hedge Funds	2.82%	2.45%	-0.17%	-0.17%					6.82%	5.91%
International Real Estate	13.23%	3.64%	-0.78%	-0.78%					-8.18%	7.29%
Commodities	12.04%	5.97%	4.94%	4.94%					-23.72%	-0.22%
<b>Forex</b>										
USD/EUR	0.63%	-2.34%	-2.37%	0.65%					-5.99%	1.25%

The BBGI Group Private Banking indices can be obtained free of charge from the BBGI Group Analysis & Research department (reception@bbgi.ch). They are the first objective points of comparison for the performance of the wealth management sector.

Sources : Bloomberg, BBGI Group SA



The systematic diversified strategies of the BBGI Private Banking Indices have generated returns of +5.95% to +6.82% annualized since 1993 to date.

The composition of our indices is available on request