JVR INVEST
GET HIGHER

March 2021

Newsletter

The CEO's Word

Dear Readers,

The long-awaited correction for equity markets has occurred and is likely to continue into March. The catalyst for this reaction is the interest rate of U.S. bonds which has not stopped rising as we mentioned in our last Newsletter.

The disparate rate of vaccinations between the United States, Great Britain and the European Union allows us to put forward a clear gap in growth and recovery in their economies. Currencies will also have to reflect this difference with an appreciation of the USD in the coming weeks.

The insistence on the ESG criteria of the financial industry reminds us of Andersen's tale "the clothes of the Emperor". By insisting on these criteria we forget the creation of value and we abandon basic criteria for the survival of companies in the worst health and economic crises. This drift is such that we will see the disappearance of companies that will not be able to apply marketing measures in accordance with these ESG criteria and as a result the market will reduce its players in favour of the "majors" who will be able to impose their prices, where they will add huge communication burdens. In turn, it is the consumer of products and services who will pay the price for the lack of competition.

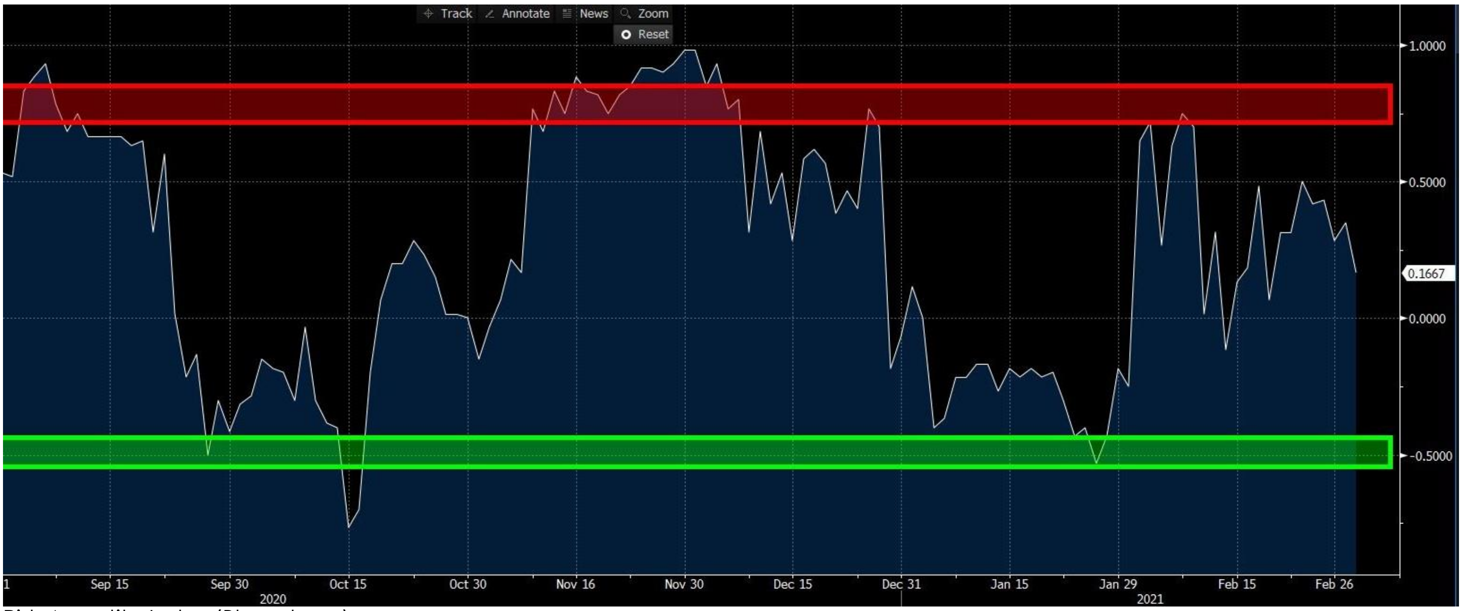
Cryptocurrencies have also emerged as a topic of debate in the markets. It is an asset that has come to stay, we cannot deny its existence despite the controversy of its intrinsic value. We include our vision in our monthly allowance starting this month.

We look forward to seeing you again soon, hoping that you and your loved ones will be healthy.

Joaquin Vispe

I - Macroeconomic Point.

Rising rates are the main threat to equity markets in the first half of the year. The spread is widespread as from Australia to Europe to the United States rates are rising and investors are shuddering. At present, this "normal" phenomenon, we will say, is rather auspicious it allows to readjust a little the excesses of the end of 2020 at the level of the credit market and equity. But rates should not accelerate upwards on more attractive levels of return than those of risky assets, because in this case the rebalancing could hurt very badly in view of the valuation levels seen in equity markets.



Risk Appetite Index (Bloomberg)

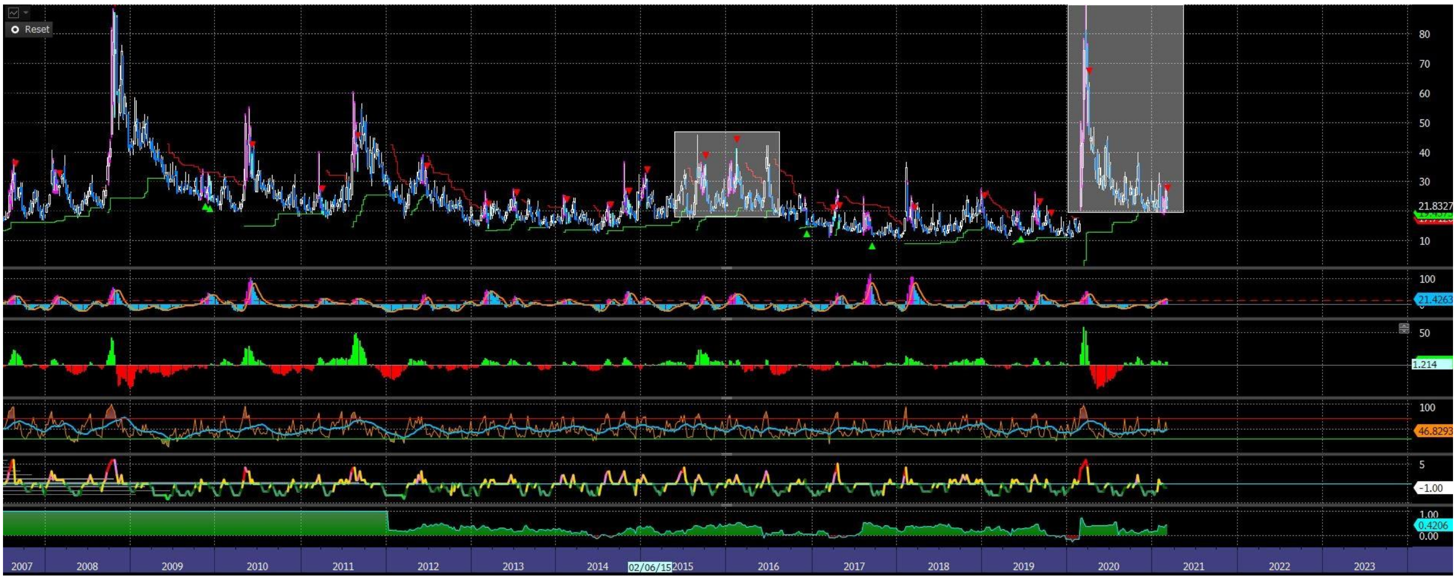
Investors are concerned about the rise in rates and commodities. Their appetite remains in the neutral zone for the time being. We should therefore expect epidermal reactions according to the good and bad news this month.

Moreover, this has caused a rather rare phenomenon which is to have the breakeven 2y above the 10y breakevens. Proof that inflation expectations could "spike" very soon before falling again.

The Bund showed a sales signal at the end of December. Many Scandinavian and Nordic pension funds have gradually covered their exposure at 30 years and 50 years via the future 10 years. As a result, some algorithms have amplified the movement increasing the volatility of the contract. A target can be calculated around 168/170, which means a yield around -0.05 / -0.15.

II- a) European Equity Markets

On weekly basis, the Eurostoxx 50 continues to struggle in the run-up to its previous amount from February 2020 to 3820pts. This lack of momentum could make buyers impatient, who do not currently have any bullish potential. As a result, it may be the sellers who will take the hand benefiting from the formation of bearish divergences on indicators. The concentration level of medium-term stops is now at the psychological threshold of 3500pts. This is a target that sellers could have if a sudden downward movement materialized.



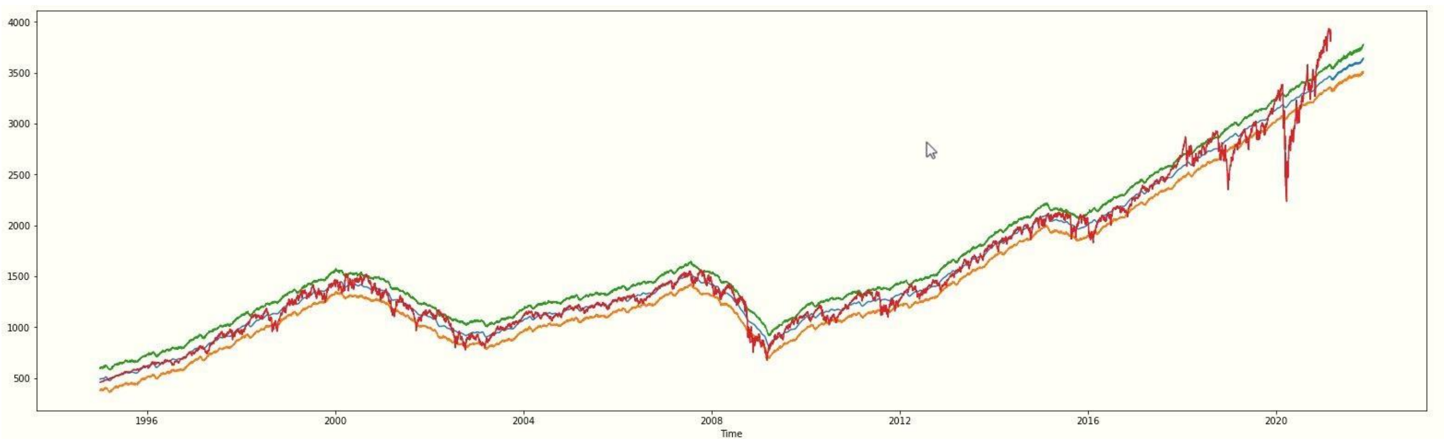
Vstoxx 50

Uncertainty around European rates has reignited concerns about indices. The VSTOXX reflects the concerns of the agents very well by remaining above the 20 threshold. The last time the index found itself in this situation was in 2016. It took just over a year and a half to return to low levels of volatility. Caution is therefore in order and a new peak in flight could come sooner than we think if central banks do not communicate more about the rise in the rate curve around the world. Even if it is a natural phenomenon, the distortions generated by current liquidity could dampen hopes of recovery in the medium term. And like a patient in need of morphine, central banks will have no choice but to increase doses to keep him afloat.

II-b) U.S. Equity Markets

The S-P is clearly showing signs of slowing down, the persistence of the movement is now well compromised in the short term with clearly a change of regime above 3900pts.

If [illegible]ous shocks, the first medium-term support would be around 3500pts.



III – Credit

Behaviour divergence between IG and HY due to a higher average duration on the High Grade part. The IG has suffered from rate decompression but could also present a new opportunity to return cheaply to average durations. This will require ensuring that central banks are not ready to spin rates, especially the long part of the curve.

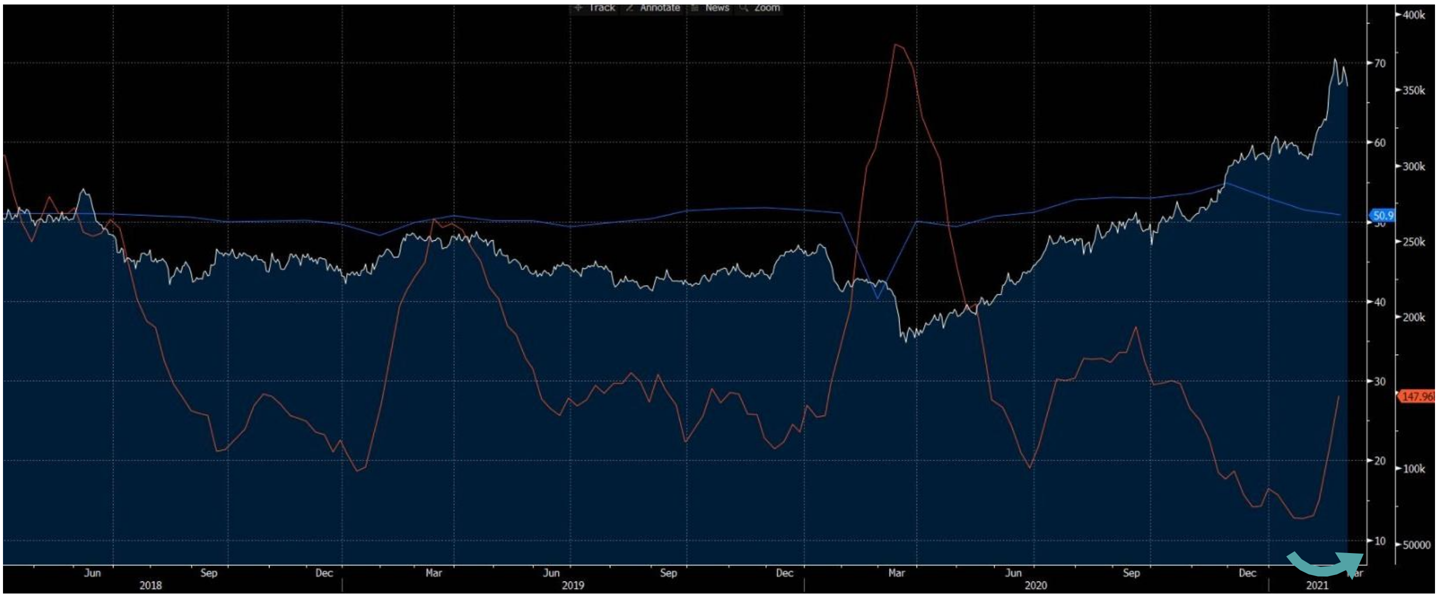
Traders are pure protection buyers.

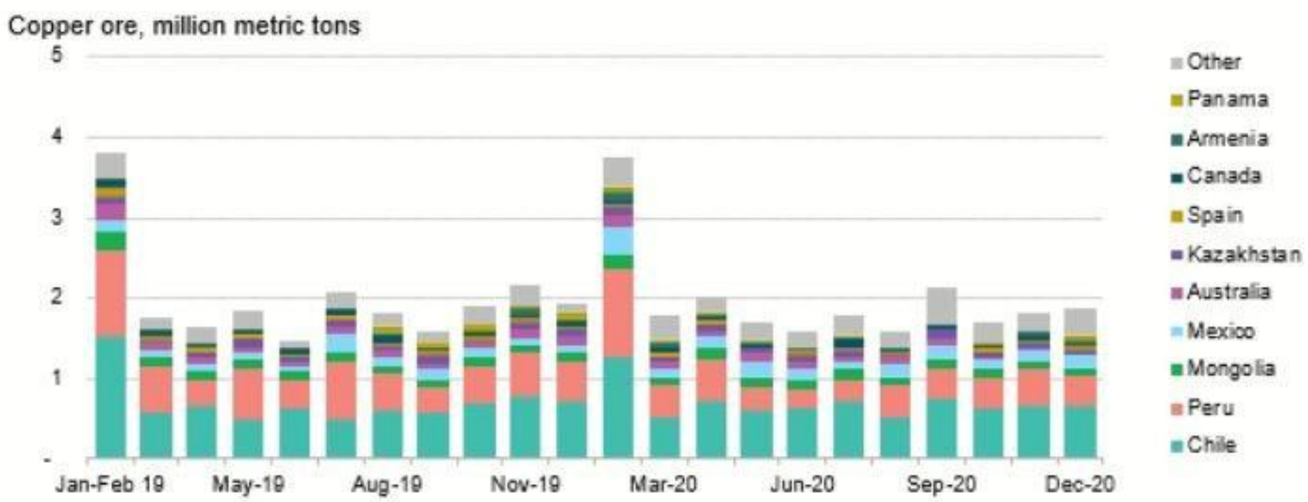
The recent jump in the MOVE index, the last week of February, reflected with a time lag the liquidation of bonds that began three weeks ago. Above 60, the index shows a very nervous environment with a high probability of spreading to other countries like Australia and Europe.

IV. Base Metals and Precious Metals

- Copper

A small speculative surge has set in on Copper in recent weeks. Trend followers exacerbate the previous move in late December, prompting short sellers to cut their positions. However, the current bubble is quite large and seems ready to explode in the near future. If we look at the main driver which is Chinese demand, we see that ready-to-delivery stocks have rebounded rapidly in Shanghai and that the manufacturing PMI which very correlates to Copper declined slightly. Could this be the final "blow-off" on Copper?. It is likely that 'yes'. It is also important to note that the current deficit (70,000 tons) for 2021 will turn into a surplus of 116,000 tons next year.



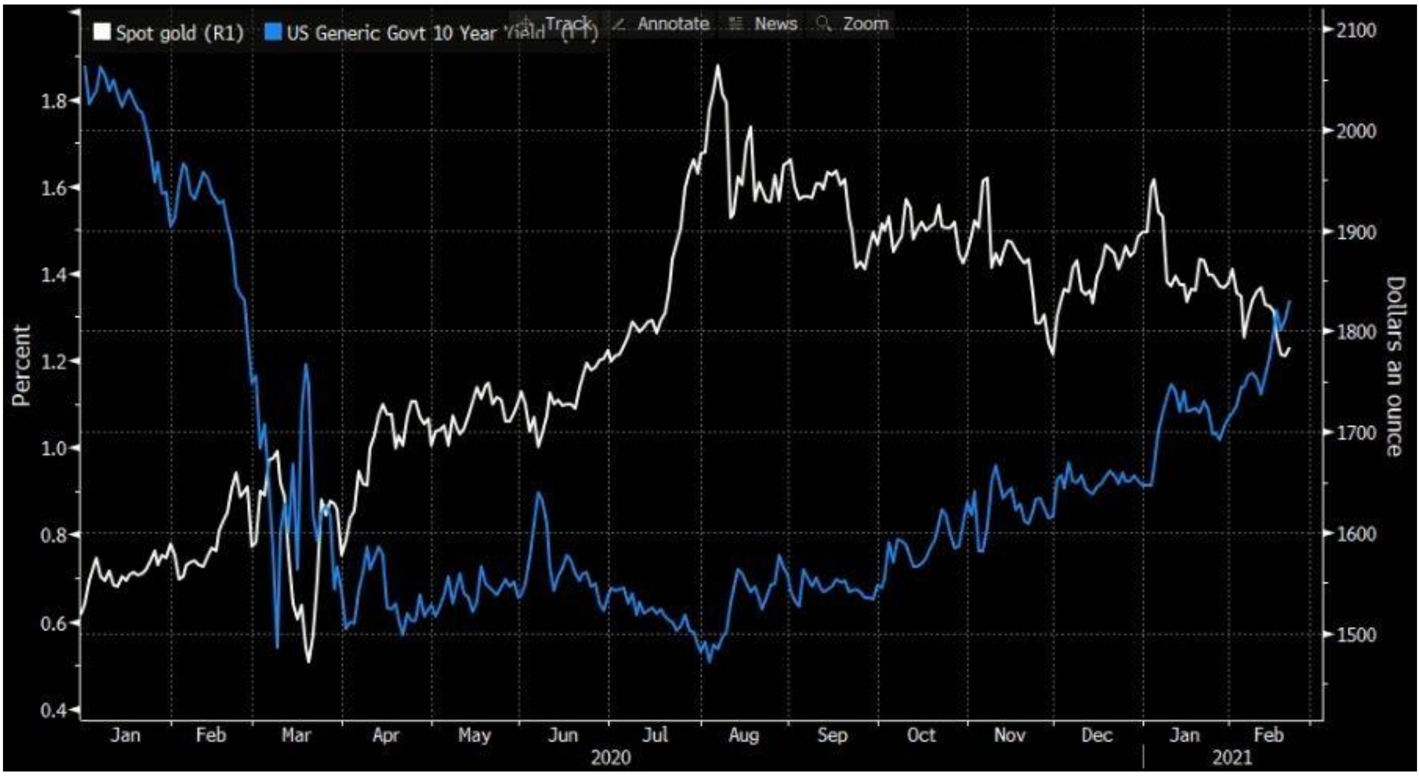


China Copper ore imports by countries

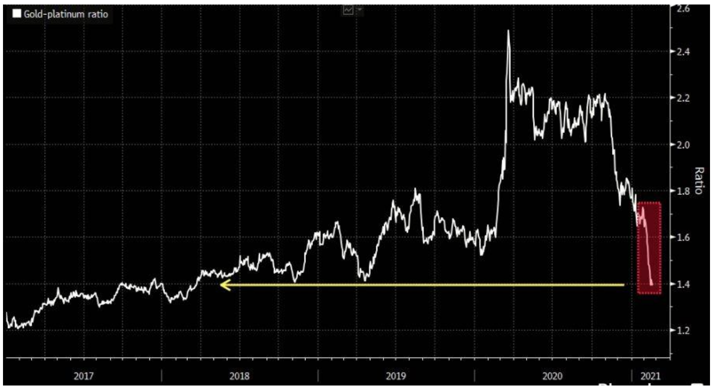
The "Bear-Trap" at the end of February finally cracked the most resilient short sellers. Once again, the indicators are overheating and the convexity of the price suggests a new opportunity for: either take its profits or stay away from the underlying. The concentration of stop-loss is around $375. Any pushing of this threshold could propel the price towards $340, which remains the main objective of many Copper producers for the current year.

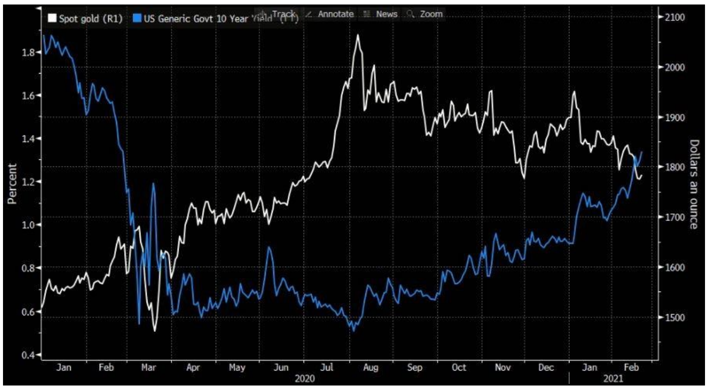
Gold

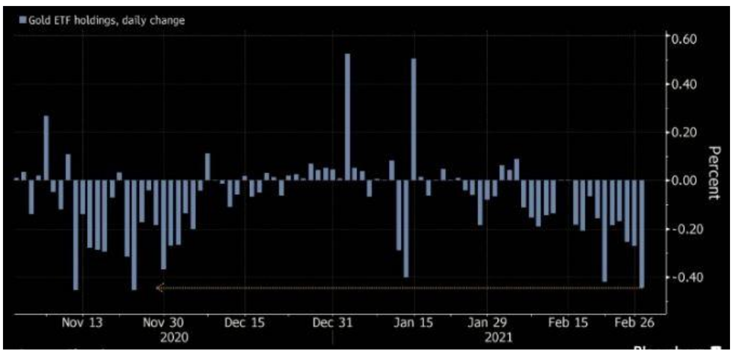
With a stronger dollar and a Bitcoin climbing to new heights, Gold is struggling to find its place. Although low prices are expected to boost Indian demand as the wedding season approaches, the U.S. 10-year hike puts a severe brake on the yellow metal.



Gold/Platinum ratio. Not to mention the engagement of Gold ETFs which also contribute to this downward trend.





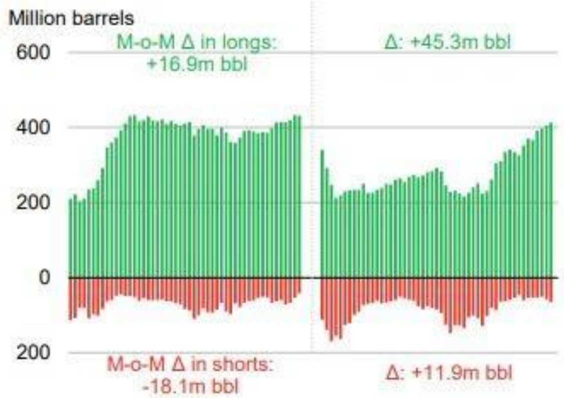


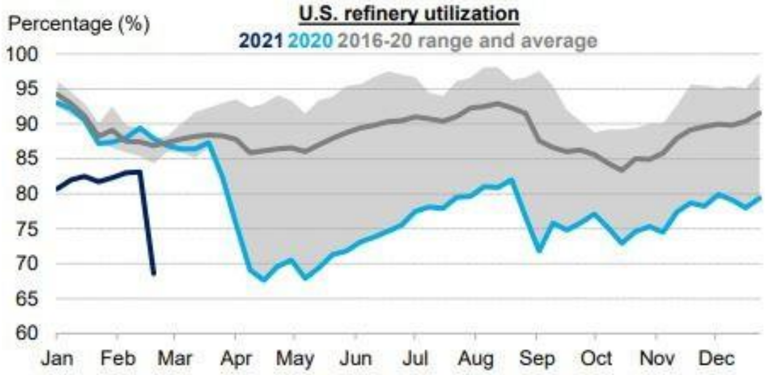
On the technical side in the monthly period, we can see the slowdown in the bullish momentum at the beginning of January. This reversal does not appear to be merely a consolidation, in light of the arguments expressed above, but probably a reversal of the trend. Even if one is close to a new excess seller on the indicators, it is not impossible that the Gold corrects around the 1650pts and then 1500pts. We will have to wait until the next crossing of the $2000 to see the index resume the path of the rise.

V- Energy

Oil prices have been supported by outages in Texas and supply cuts in Saudi Arabia. The monthly meeting of OPEC - which argued for a status quo on production quotas for April came in support of prices also. This decision certainly reflects an implicit weakness in demand for the second and third quarters, because with a WTI of $65 it would be tempting for some members to forego production cuts or cheat on agreed quotas in order to compensate for last year's revenue loss. The CFTC long/short shows an increase of 45.3 million barrels from month-long positions on Brent.

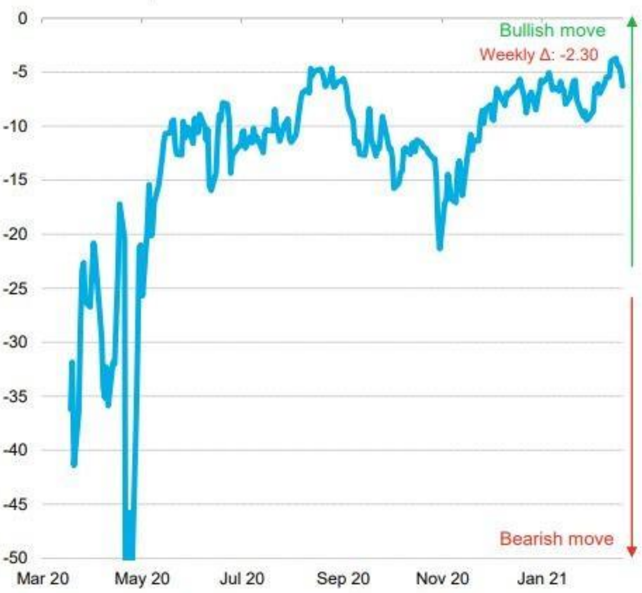
Nymex Crude Oil ICE Brent Crude

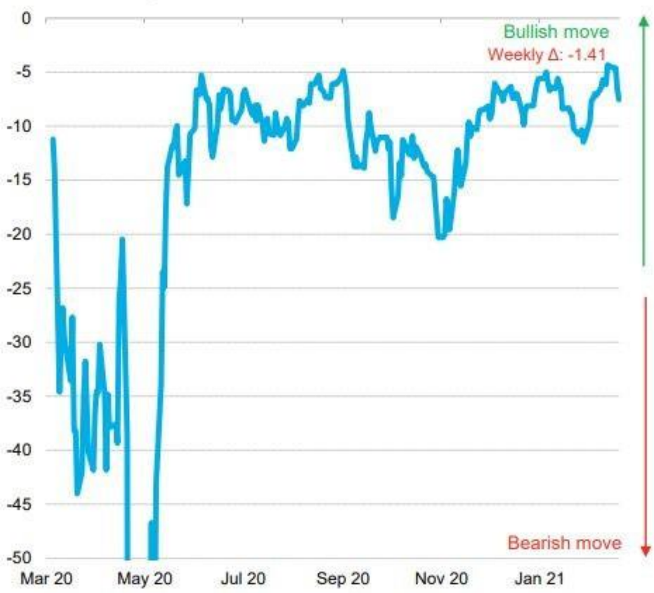




The freeze in Texas in early February disrupted about 2.5 to 3.5 b/d of domestic oil production and 5 million barrels per day of refining capacity, resulting in lower utilization levels. We can expect a complete restart of all refineries in the next two to three weeks.

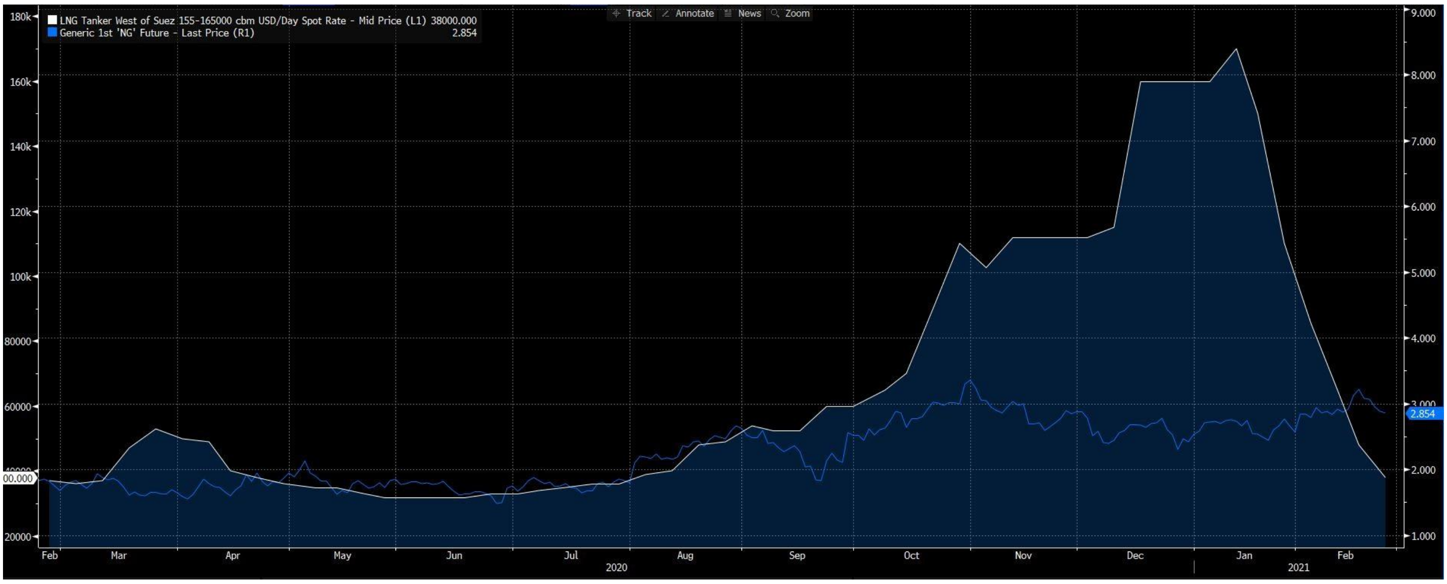
On the Risk Reversal 1M, we find that the options remain very 'positive skewed', which means that the agents remain confident and do not anticipate any downward movement. But often it is this excess of complacency that generates brutal downward movements.



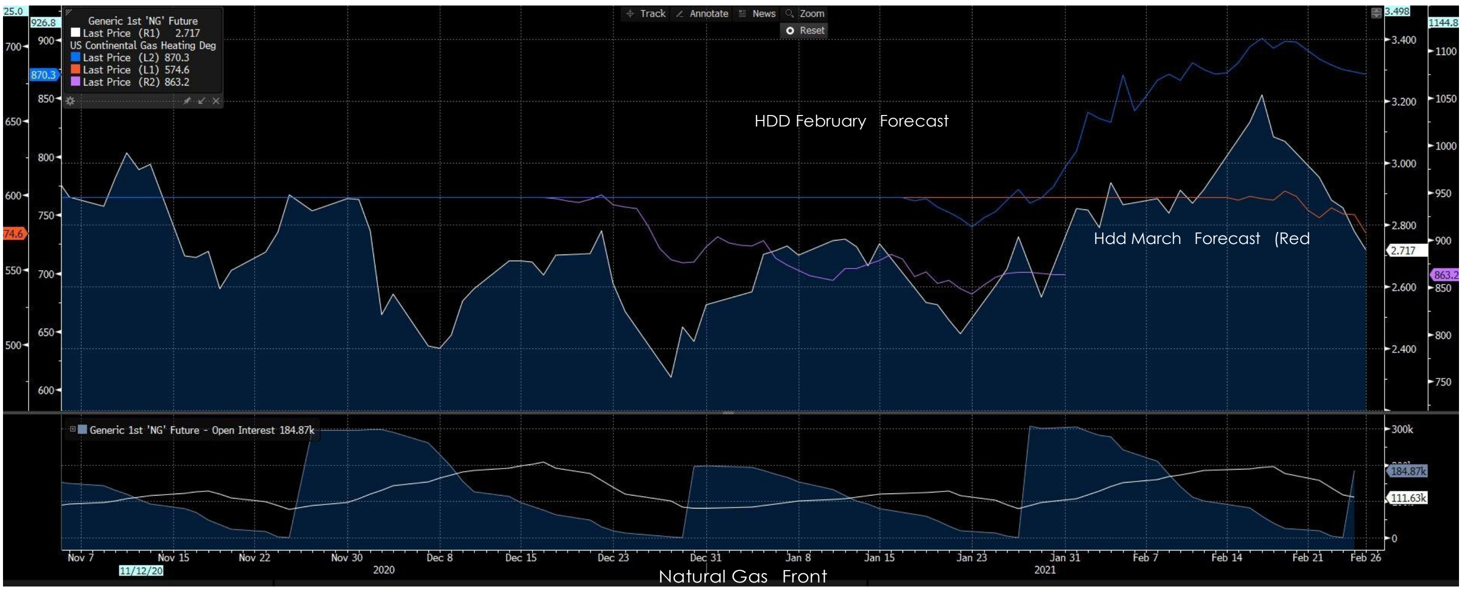


Nat Gas and LNG

February was the third coldest month in 20 years for Texas and the South-Central region. Some frosts occurred during this period due to extremely low temperatures. As a result, production fell by 16 bcf/d. The huge supply-demand distortion caused by the weather is expected to temporarily lead to record gas withdrawals. Cash chartering continues to decline, which means that season activity is ending.



Spot Ship Charter vs NatGas



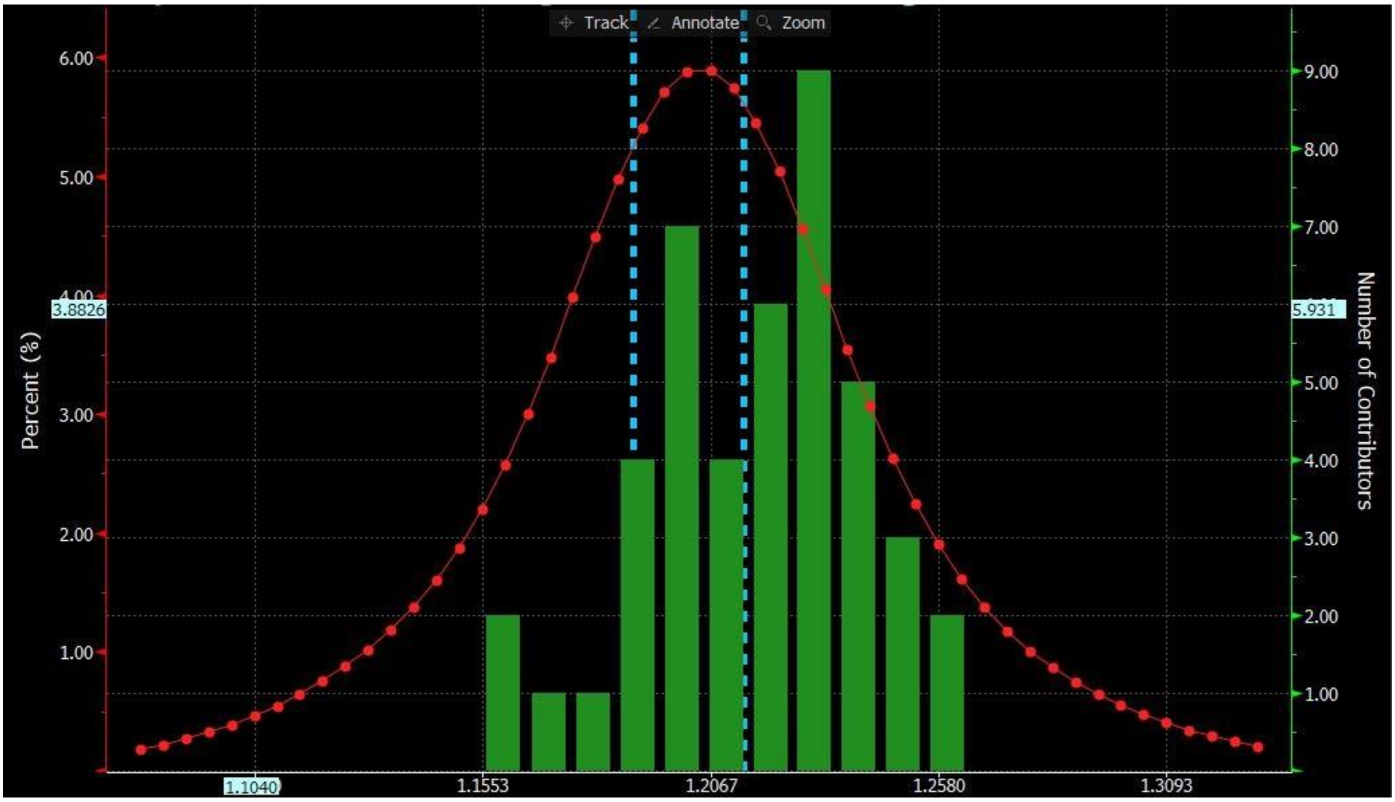
Natural Gas Front

After reaching $3.10, Naturals Gas began a further correction below the $3 psychological threshold. This new failure is in line with the end of winter. Indicators remain neutral and the majority of stop-loss is now around $2.5. A break from this level could trigger a further drop to $2.

VI- Forex

EURUSD continues to lose ground. The rise in US rates caused a dollar shift in order to "locker" an adjusted return well above what European rates could offer.

On derivatives many are forex traders betting in the very short term on a rally of



1.1900.

The bearish divergence that we identified last month continues. It is currently testing the first objective of the 1.1900 which in the event of a break would bring the cross to 1.1680 in case of extension of the downward pressure. Many institutions were very long euro until the end of January, since they reduce their exposure in euro to benefit from more attractive rates across the Atlantic. This movement is expected to continue as long as central banks remain inert. Looking at the above options market have clearly seen that some expect a more pronounced move in the second quarter.

Our tactical allocation for 2021 is being changed:

Asset class	***Negative***	***Neutral***	***Positive***
Shares USA.	• Rising rates USA. 		
Shares Europe.	• Upward rates Germany. 		
Emerging Shares.	• USD rise. 		
Bonds.			
Gold.			
Oil.			• Recovery from a minimum. 
Bitcoin BTC.			
Real estate	• US rates hike 		

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