



## Exposure rates of the Dorval Asset Management Range – 25th September 2020

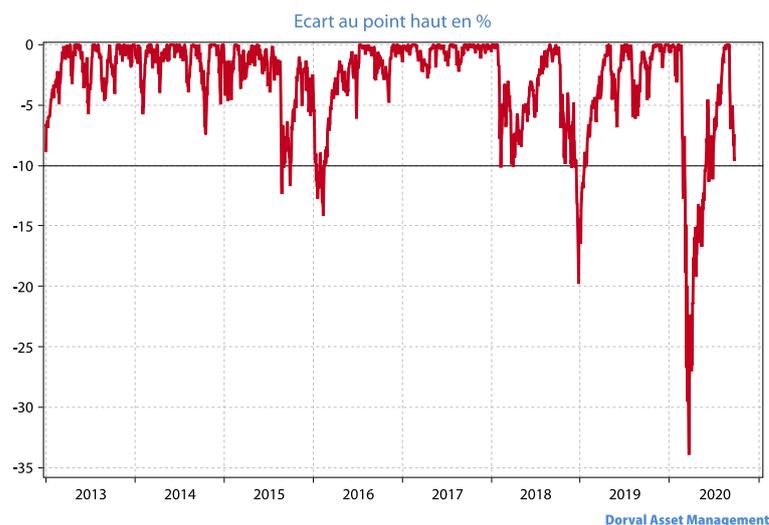
Dear Clients and Partners,

The S&P 500 has now corrected by -10% (cf. chart 1), which is reasonable after overheating this summer on the back of the bubble on certain stocks. As usual, this kind of trend gives investors the jitters, as they wonder if these market moves are a harbinger of graver problems. From an economic standpoint and despite the dent from the second upsurge in the epidemic in Europe as well as the budget stalemate in the United States, it is unlikely that this is the case.

### Corrections on the S&P 500 since 2013

% deviation from high point

#### Les corrections sur le S&P 500 depuis 2013



The virus seems to be well under control in China and most of Asia at this stage, it is finally on the decline in Latin America, and in the West the epidemic's mortality rate is on a clear downtrend, which allows less disruptive management of fresh waves of cases (pending a vaccine). Driven by stimulus packages, the global economic recovery will continue until at least the end of next year, and interest rates will remain at rock-bottom levels for many years to come. The members of the US Federal Reserve do not plan to hike interest rates until 2023, and the Bank of England is bracing for the possibility of negative rates. In Europe, some ECB members are starting to call for new measures to counter anxieties fueled by the second surge in Covid-19 cases.

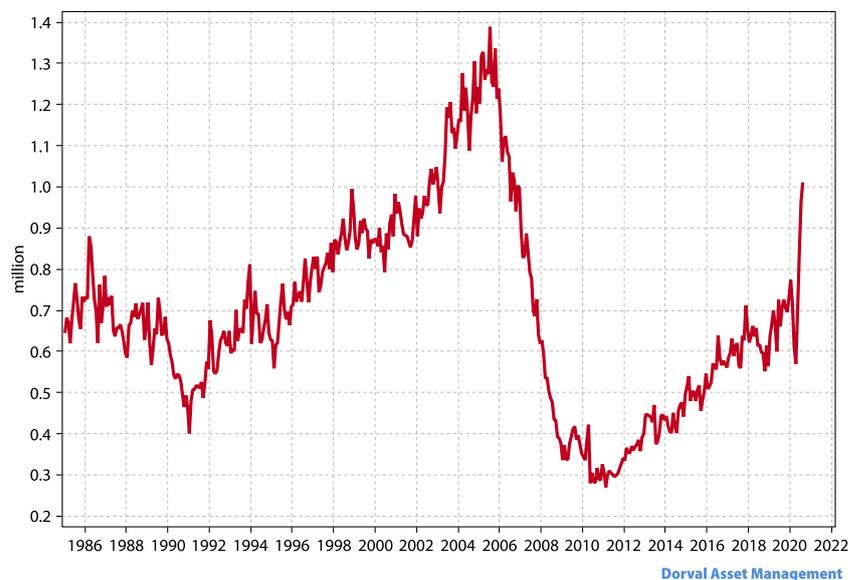
The tide has clearly turned in favor of durably more expansionary economic policies. Despite the delay, it is very likely that a new US stimulus package will emerge regardless of the outcome of the forthcoming election. While waiting for further measures, Western





households have considerable savings to deploy, which will continue to support spending on durable goods and household equipment, real estate construction, etc. New home sales rocketed in the United States this summer, hitting their highest point since 2006 (cf. chart 2). Structurally, a long cycle of investment driven by energy transition and digital acceleration (5G) has finally begun.

### Boom in new home sales in United States Le boom des ventes de maisons neuves aux Etats-Unis



So while a second surge in cases in Europe is hampering growth slightly in the very short term, we think that it is not the time to change scenario in this context. Anxiety driven by the epidemic in Europe and ongoing possible sell-offs on market segments that are currently overinvested – such as US tech – could admittedly continue to dampen the markets over the days ahead. However, investors are well aware that risks could turn around with a positive impact for equities, especially in the most cyclical sectors, when a vaccine is announced or when Europe hits the peak of the epidemic: both these events are expected in the Fall.

Our exposure rates are as follows:

- **Dorval Convictions:** Our exposure rate is 77%.

#### DORVAL ASSET MANAGEMENT

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