Hugau Gestion – 2020 January Review

Markets brutally reversed direction in January. Risk assets had been in demand due to consensus expectations of a pro-growth scenario this year but suffered heavy selling at the end of the month due to the Coronavirus epidemic in China. Classified by the WHO as a global health emergency, it sent global equity markets sharply lower and also dragged down numerous commodities. The anxiety was such that traders even forgot that January 31 marked the UK's exit from the European Union after 47 years. Investors turned to safe assets like government bonds and gold. The gold ounce gained 3.8% over the month. Yields on the 10-year Bund fell to minus 0.43% and to minus 0.18% on 10-year French government bonds And on January 31, the US yield curve inverted again. 10-Year Treasury yields fell to 1.51% or below the 1.55% on 3-month Treasury bonds, signaling worries over recession or rather, as Fed vice-chair Richard Clarida put it, significant inflows into US bonds from investors looking for a safe haven.

Global Stock Market changes:

	France	Germany	UK	Europe	US	US	Japan
Change	CAC40	DAX30	FTSE100	Stoxx600	Dow Jones 30	Nasdaq	Nikkei225
Δ 24/01/2020	-3,62%	-4,38%	-3,95%	-3,05%	-2,74%	-2,27%	-2,61%
2020	-2,87%	-2,02%	-3,40%	-1,23%	-0,99%	1,99%	-1,91%

Equity markets all ended January in the red but to varying degrees. Hong Kong led the move down by tumbling 6.6% while in Europe the STOXX600 declined by a more middling 1.23%. In the US, the SP500 only slipped 0.16% as better-than-expected fourth quarter results cushioned selling. Strong earnings from tech companies actually helped the Nasdaq end the month 2% higher. As of January 31, 45.2% of SP500 companies had reported results with earnings up by 1.1% on average and even 3.9% excluding energy. This was better than the 0.8% drop Refinitiv/Ibes was still predicting at the beginning of January (see Page 2). For the STOXX 600, earnings were expected to grow 1.3% (+4.1% ex energy). Only 21 companies in the STOXX 600 had reported by January 28 but 57.1% of them had beaten analysts' expectations.

Nevertheless, investors are worried as companies turn cautious on the outlook for the first quarter due to the expected drop in activity in China. Production centers for autos and technology are closed until February 14 at least, while forced quarantine has triggered a decline in domestic consumption. The interruption of numerous flight connections will have severe repercussion on activity in Asia and that will spread step by step throughout the world. Fears of a recession in mid-2019 were overdone as only the industrial sector was hit but we cannot now rule out the risk of a fleeting recession in the current quarter. If the epidemic were to spread outside China -along with a virus mutation- and hit densely populated zones with modest sanitary facilities like India or Africa, the risk would be amplified.

After their monetary policy meetings, both the Fed and the ECB said that they were closely monitoring the risk. At the same time, before the epidemic emerged, they both felt the global economy was stabilising.
Like central banks, investors must be on their guard and properly assess the epidemic's risk. There will be good buying opportunities and they should be positioned to take advantage of them. In the meantime, the Hugau Moneterme fund is a good place to take cover.

NAV OF THE FUNDS

						Cumulated Performances				
NAV Date	UCITS	NAV	% 1 Week	%1 Month	%3 Months	%YTD	%1 Year	%2 Years	%3 Years	%5 Years
31/01/2020	HUGAU MONETERME I	120 780,73	-0,00	-0,01	-0,02	**-0,01**	- **0,01**	- **0,24**	- **0,15**	**0,73**
31/01/2020	HUGAU OBLI 1-3 I	1 396,20	+0,01	+0,20	+0,32	**+0,20**	**2,07**	- **0,51**	**1,71**	**4,26**

Past performances are not a guarantee of future performances

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THIS WEEK IN EARNINGS

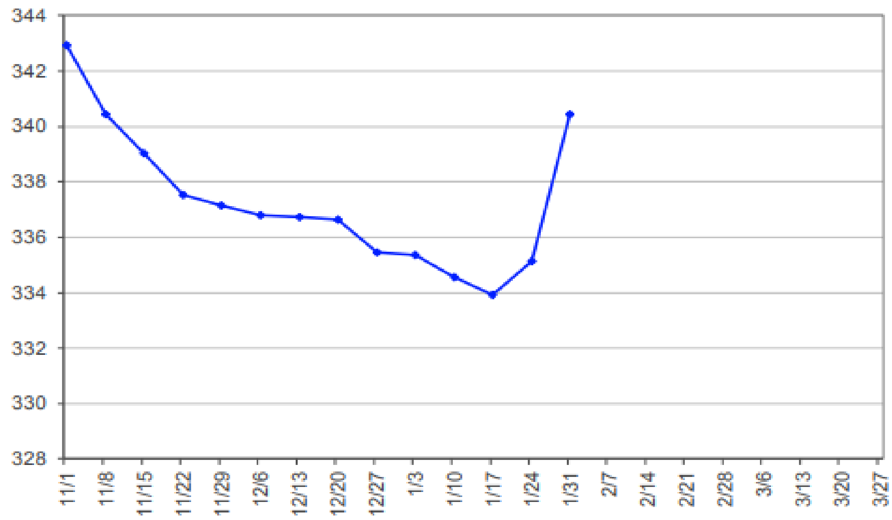
AGGREGATE ESTIMATES AND REVISIONS

- 19Q4 earnings are expected to increase 1.1%. Excluding the energy sector, the earnings growth estimate is 3.9%.
- Of the 226 companies in the S&P 500 that have reported earnings to date for 19Q4, 69.5% have reported earnings above analyst estimates. This compares to a long-term average of 64.9% and prior four quarter average of 73.5%.
- 19Q4 revenue is expected to increase 4.7% from 18Q4. Excluding the energy sector, the growth estimate is 5.9%.
- 64% of companies have reported 19Q4 revenue above analyst expectations. This compares to a long-term average of 60.2% and an average over the past four quarters of 57.8%.
- For 19Q4, there have been 78 negative EPS preannouncements issued by S&P 500 corporations compared to 36 positive EPS preannouncements. By dividing 78 by 36 one arrives at an N/P ratio of 2.2 for the S&P 500 Index.
- The forward four-quarter (20Q1– 20Q4) P/E ratio for the S&P 500 is 18.6.
- During the week of Feb. 3, 96 S&P 500 companies are expected to report quarterly earnings.
- You can find additional commentary and insight on Lipper Alpha Insight

SECTION A: EARNINGS OUTLOOK

Q4 2019: EARNINGS REVISIONS

EXHIBIT 1A. S&P 500: Q4 2019 SHARE-WEIGHTED EARNINGS ($B)



Source: I/B/E/S data from Refinitiv

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