

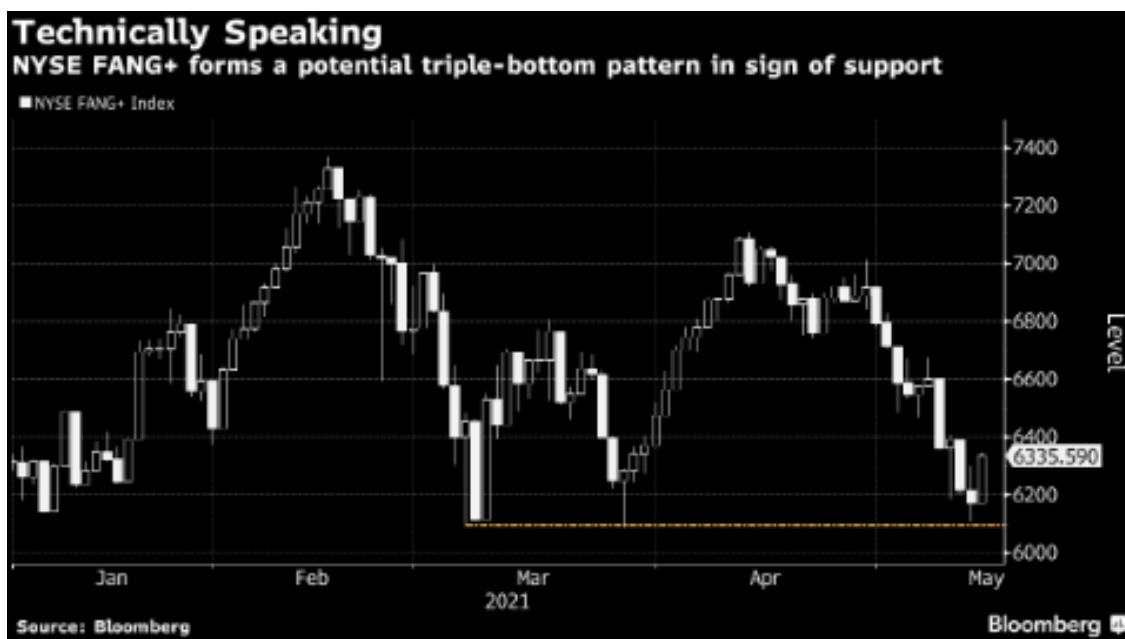
Blackfort Insights 19.05.2021

US and China tech stocks before a rebound?

In global equity markets we do see a continuation of the sector rotation. But as US and Asian tech stocks have both reached their lower trading range, we would expect that these stocks will mean revert. Most stocks in the FANG+ index have shown strong sales and earnings growth in Q1 and might start a recover rally from current levels.

We would however still prefer cyclicals and small caps. Globally released Q1 earnings were mostly beating their IBES consensus forecast. Market participants have used this opportunity to sell on good news, which is mirrored in slightly lower index levels. On an index level the trailing 12-month PE ratio has therefore come down due to a rise in earnings and due to the minor market pullback.

Fig. 1: FANG+ Index before a rebound?



US Q1 earnings surged more than 40% compared to one year ago. The aggregated 2021 IBES EPS estimates have risen from around USD 189 to around USD 205, which results in a current PE ratio of around 20 times, which is significantly lower compared to a level of above 25 times in January. We would like to add that we still believe bottom-up equity analysts do underestimate the strength of the recovery in H2 once the US completely reopens. Therefore, now equities do offer a better value than they had offered in January, although the index trades around 10% higher.

Fig. 2: S&P 500 Q1 YoY earnings growth surged more than 40% YoY



Fig. 3: USD is weakening and might break through its lower trading range



Meanwhile we do see a weaker USD as expected, which is on one hand supporting gold and on the other hand should support emerging market economies together with higher commodity prices.

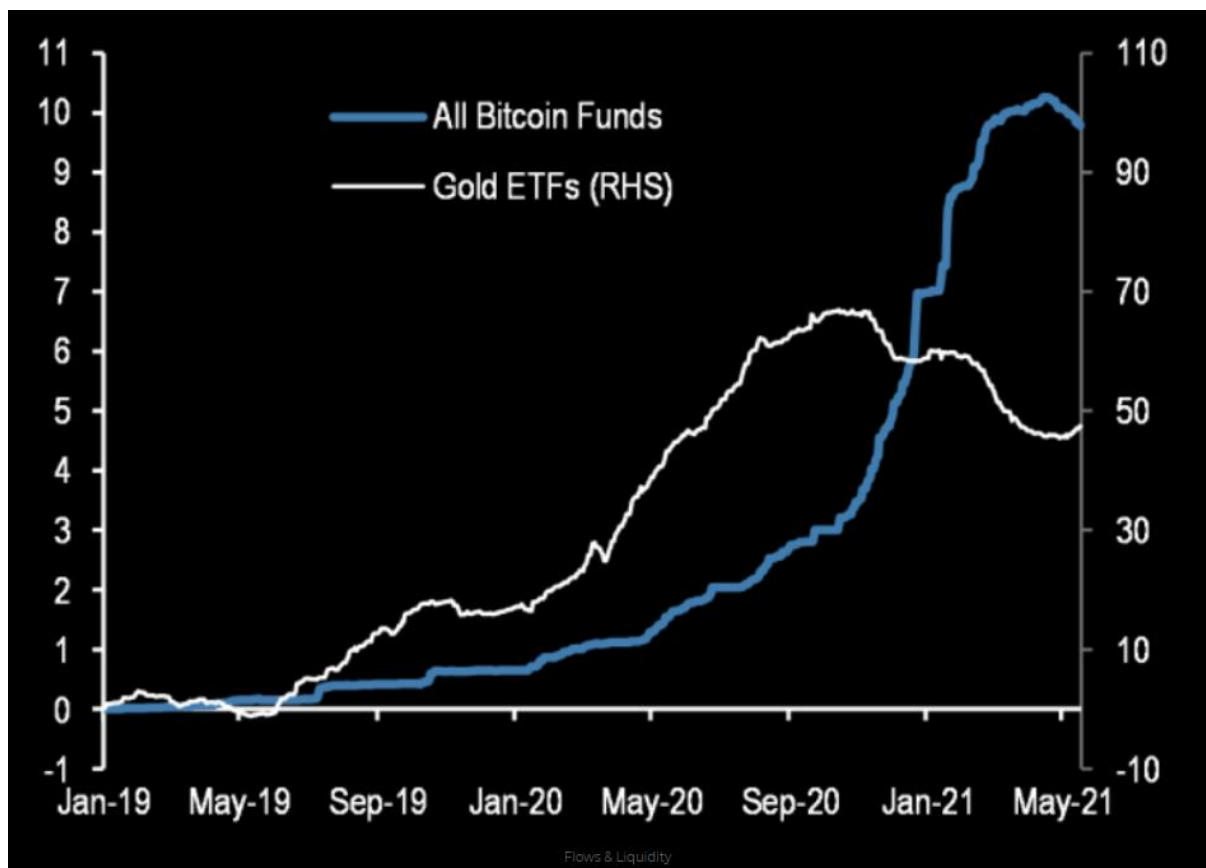
Gold has successfully overpassed its 200-day average and might retest this level in the coming days. We believe that due to inflation fears and weaker USD in mid-term and due to outflows from bitcoin funds into gold ETFs short-term gold prices might be pushed higher. In

longer term we hold gold to protect wealth from inflation and a possible market selloff in global equities and corporate bonds.

Fig. 3: Gold is now overbought, but trades above its 200-day average



Fig. 4: Will the reallocation out of Bitcoin into Gold ETFs last?



The latest money flow statistic shows inflows into all major asset classes. Where does this additional money come from? The answer comes from all major central banks which print money and buy bonds. We still expect that cash which is parked in money market products will find its way into bond and equity markets. Therefore, equity market weakness most likely will be used to buy the dip.

Fig. 5: There is still a lot of Cash parked on sideline, which might be deployed during pullbacks



Overall, our assessment that corporate bond and equity markets have moved to levels where a correction must be expected any time stays unchanged. In the equity space so far, we do see a continuation of the sector rotation. Different to our last Blackfort Insights we do expect now a rebound in US and Asian tech stocks but continue to expect that mid-term cyclical and values will continue to perform well.

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