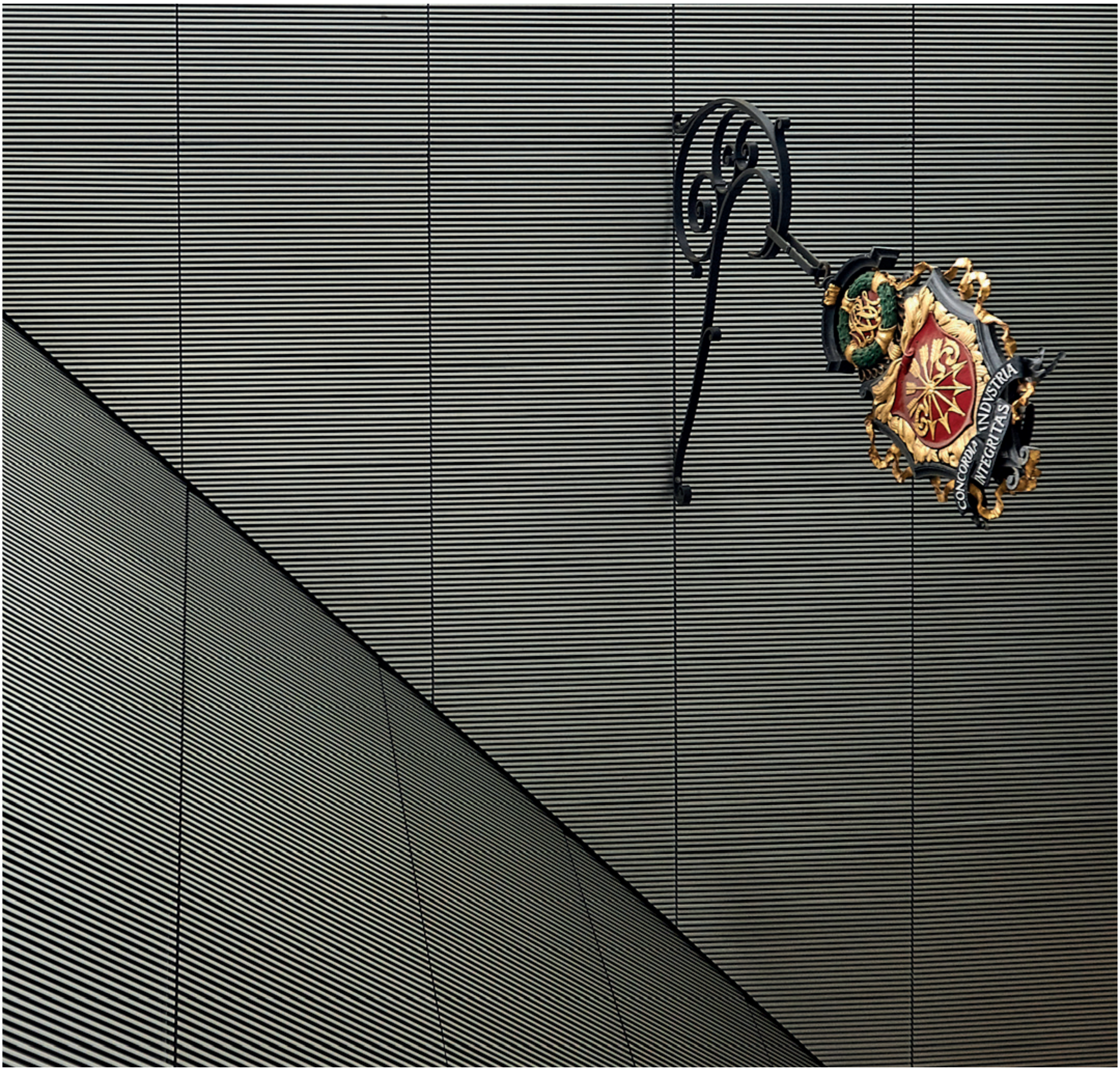
Market Perspective

Davids and Goliaths

Issue 124 | February 2021



Rothschild & Co
Wealth Management

3 minute read

Foreword: Davids and Goliaths

Some financial talking points can be time wasters. The quantity theory of money; the demographic timebomb; "Austrian" theories of interest rates; Tobin's Q – and our obsession with market flows.

Nobody knows exactly who is buying stocks and why. The market's free float is large relative to the individual players, and the flow data are poor: incomplete, late and often proprietary (that is, potentially conflicted).

This differs from the bond market, where big, mandated buyers (liability-driven investors and central banks) are important. We have yet to see what happens when the economy pushes more strongly against those big buyers – we think their combined holdings will not keep yields down permanently. But they have clearly influenced bond prices to date.

So there may not be much useful to say about the shenanigans involving a US video game retailer and short-selling hedge funds. Stocks are certainly expensive, and the market has experienced some weaker days of late, but we would be surprised if retail chat rooms are where the future of the S&P 500 will be decided.

We should resist the human interest angle. Short sellers will never win popularity prizes: they bring liquidity, but also a hint of moral hazard. And who doesn't relish the picture of the little guys finally sticking it to the man? But that picture may have been photoshopped, and one person's financial revolution is another person's concert party.

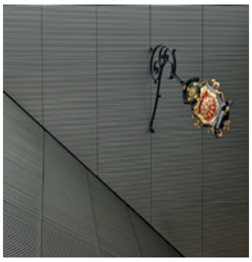
We hope the little guys were able to leave the burning building as quickly as they entered it. But we suspect that the episode will end in (lots of small) tears.

The wider stock market is hardly immune from bandwagons, bubbles – and busts. But as we see them, average valuations are high but not outlandish, particularly if earnings rebound (even) more strongly than we've been guessing.

This looks increasingly possible, despite the second wave – and new variants – of contagion. The forecasts sombrely unveiled by official institutions and reported with relish by the news factories do not fit with the latest data. In the US, business surveys are pointing not to resumed decline in the first quarter, but to strong growth. Pre-crisis levels of US GDP could be regained by midyear.

As a result, we think the main risk to stock markets comes not from chat rooms, or a renewed slump, but from an eventual rethink on interest rates. If earnings are growing briskly when that happens, the floor may be rising to meet us.

Kevin Gardiner and **Victor Balfour**
Global Investment Strategists



Cover:
A very public symbol of the heritage and values of the family business is the Rothschild shield positioned on the exterior wall of our New Court office in St Swithin's Lane, London. The five arrows combined with the family motto is the only advertisement for the business within.

Publication date: February 2021.
Values: all data as at 4 February 2021.
Sources of charts and tables: Rothschild & Co or Bloomberg unless otherwise stated.

3 minute read

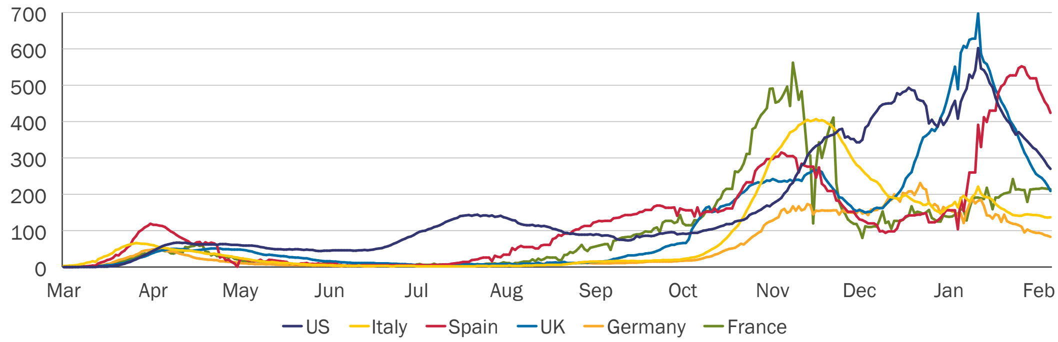
Contagion update

Globally confirmed cases have now surpassed 106 million, with fatalities standing at around 2.3 million. With renewed lockdowns and stay-at-home orders having seemingly curbed the spread of the virus, countries such as the UK, US, Germany, Italy and now Spain have seen new cases slow. France may be the most obvious big outlier.

In terms of fatalities, the UK has now surpassed the 110,000 mark. Expressed as a proportion of the population, for a while it was the country with the worst death rate globally.

Figure 1: Contagion rates are easing

Weekly change in cases, per 100,000 population

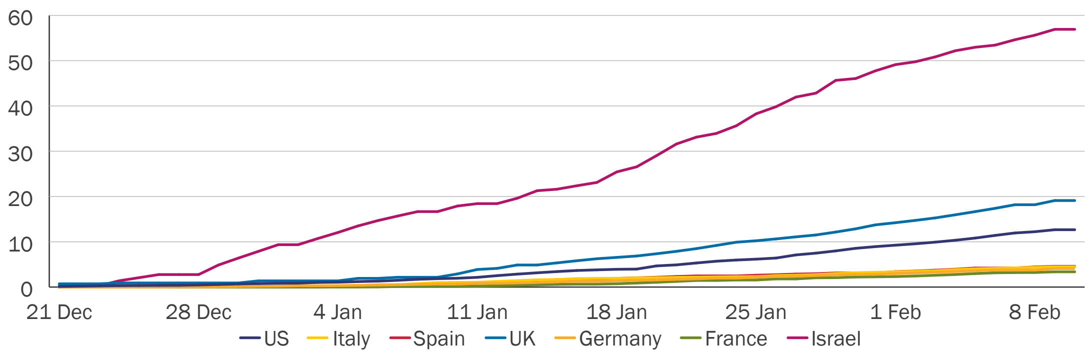


Sources: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

Globally, more than 134 million doses of vaccine across 66 different countries have been administered, with this number increasing daily at pace. This is concentrated amongst a handful of developed nations, for the time being. In the US, 41.2 million doses have been administered, which, followed by China, is the most globally. When you adjust for population size however, the UK has administered proportionally more than the US, with almost 18% of the population having received a dose of the vaccine, compared to 12% for the US. This puts the UK third after Israel and UAE (56% and 34%, respectively) on a per capita basis. Progress for rolling out a vaccination across Europe has been sluggish, held up not just by drug company shortages (as has been suggested) but seemingly by bureaucracy and an arduous approval process – the AstraZeneca vaccine was only recently approved – and further issues around the supply of vaccinations could prolong the frustration.

Figure 2: Vaccine rollout gathers momentum

Total vaccinations per 100 people



Source: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

With so many variables at play – including varying efficacy rates, mutating strains and potential supply shortages – it seems wise not to pin all hopes on a vaccine and its distribution. Adaptation and toleration are likely to play important roles into the longer term, even as more people are inoculated. The contagion data show again that distancing does help, and it seems sensible to expect progress towards 'normality' to continue in a trial-and-error, two-steps-forward-one-step-back fashion for a while yet.

Charlie Hines — refreshed 9 February

5 minute read

Are stocks in a bubble?

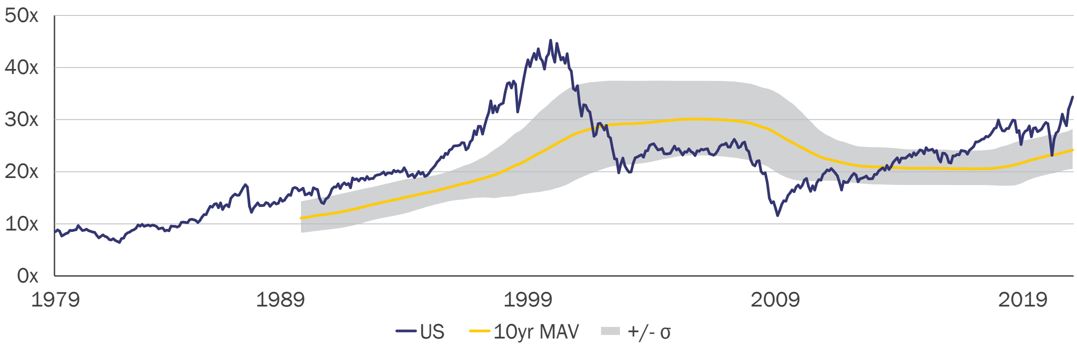
After the fourth quarter's further gains, there are plenty of signs of US stock market froth: some dramatic moves in high-profile stocks; buoyant IPO markets; 'overbought' momentum indicators; and some classic contrary indicators. Talk of a 'bubble' is growing.

On most measures, US stocks are now clearly expensive relative to their history. The exceptions are those which compare stocks to interest rates and bond yields – which are themselves historically low.

So far, we have viewed valuations as an amber light for asset allocators following a 'top-down' approach to investment: we have seen them as high, but not outlandishly or prohibitively so. Figure 1 shows our preferred metric – a 'cyclically adjusted' price–earnings ratio (CAPE), which smooths out short-term fluctuations in earnings by using a 10-year moving average. Its ascent has mostly been less dramatic than the 2000 'TMT bubble', and its level – and divergence from trend – is still significantly less pronounced than then.

Figure 1: Cyclically-adjusted PE ratio: US

Our preferred measure of equity valuation smooths out short-term fluctuations in earnings.



Source: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

'Bubble' is an overused term, and suggests the imminent permanent loss of most of investors' capital after a dizzy and exponential surge. We do not think the profile in the chart warrants that label yet. We do think valuations will normalise on a longer-term view, and for that reason the returns we can plausibly expect from stocks are at the low end of the range they should have been in this last decade or so (as we noted in December). But we think they are still positive, and ahead of likely inflation.

Other measures are shown in the table. Some are amplified by earnings' recent weakness, which is likely temporary. Even a high forward PE may be less significant now, after earnings expectations have fallen, than it was in 2000, when current and projected earnings had yet to register their looming decline. And if recent economic data are anything to go by, there is a chance that US earnings will rebound more vigorously than analysts currently expect.

Figure 2: Selected valuation metrics

US valuation measures correct to 12 January 2020

	TMT (Mar '00)	GFC (Oct '07)	-1yr	TODAY	20yr Avg.	TODAY Rel%	Z Score
Trailing PE	27.0	17.1	18.8	23.7	16.8	41%	2.3
Forward PE	25.7	15.7	18.6	23.2	15.7	48%	2.9
CAPE	45.3	25.3	27.8	33.1	24.2	37%	2.1
PB	5.4	3.0	3.6	4.4	2.8	56%	3.1
Dividend yield ●	1.1%	1.7%	1.8%	1.5%	1.9%	30%	1.3
FCF yield ●	2.8%	1.0%	4.5%	3.8%	5.4%	40%	0.8
EV/EBITDA	14.5	11.2	14.1	19.3	11.4	69%	3.9
Equity Market % GDP	93%	100%	110%	168%	97%	73%	
Fed Model*	-2.4%	1.2%	3.5%	3.1%	2.4%	-22%	

● denotes an inverse valuation (i.e. low = expensive)
** Fed Model: trailing earnings yield less 10yr treasury yield*

Source: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

Even if valuations were more stretched, they might stay so for a while. Keynes suggested that "there is nothing so dangerous as the pursuit of a rational investment policy in an irrational world", and valuations are rarely the primary cause of a market reversal: they are a notoriously poor market timing tool.

Indeed, US equity valuations have been in 'expensive' territory for most of the past seven years: our CAPE has been more than one sigma above its trend for almost the entire period. Meanwhile, the US market rose some 140% (13% annualised).

And though the current multiple (33x) is furthest above its trend (24x) than since the early noughties, as noted we are still some way below that heady 'TMT' episode (in both absolute and relative terms). And those low levels of interest rates will not disappear overnight, and – as the table in figure 2 suggests – are not fully priced in to begin with (stocks look positively cheap on that basis, not just less expensive).

Looking ahead, the scope for some profit-taking in the short term must be a near-term risk: a lot of good (or improved) news is priced in and cash positions are reportedly at their lowest level since 2016, according to the latest Bank of America Fund Manager Survey.

We are trying to stay open minded: the last decade has not been kind to more dogmatic pundits. Headroom has likely fallen, but this does not look like a bubble to us (and other markets are of course less expensive than the US). Those prospective long-term 'top-down' returns for equities still exceed both likely inflation and the likely returns on bonds and cash.

Victor Balfour — 15 January

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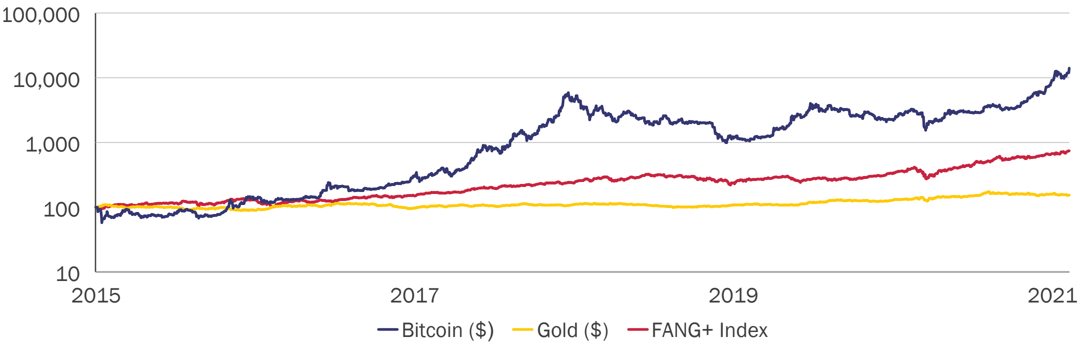
7 minute read

Bitcoin as an investment?

Bitcoin is surging again as some institutional and high-profile investors add it to portfolios. It is said to be a plausible alternative to both money and gold at a time when inflation risk may be rising: its origins date back to the global financial crisis and distrust of the banking system.

Figure 1: Bitcoin, gold and 'FAANG' stocks

Indexed, log scale (100 = 1 January 2015)



Source: Bloomberg, Rothschild & Co.
Note: FANG+ Index is an equal-dollar weighted index designed to represent a segment of the technology and consumer discretionary sectors.
Past performance should not be taken as a guide to future performance.

Inflation, gold, and ESG issues

The scale of any inflationary threat, however, is not yet clear. It may be incremental, rather than game-changing (see our report, *Inflation: revision notes*, January 2021). Do we need a new asset to deal with it?

We think higher inflation is indeed likely: the increase in financial balance sheets in 2020 was big, and policy may stay loose even as economies recover more strongly. However, balance sheets were already large, and had been so for many years, without any inflationary consequence: inflation has been historically low since 2008, and the breakeven rates currently priced into bond markets are not much higher. Exchange rates have been relatively stable.

Parallels between bitcoin and gold may be overstated. Gold has intrinsic worth: it is tangible, useful and scarce. It did not become valuable because it was money: it became money because it was valuable. It has a track record extending over three millennia and many hyperinflations, independently of other monetary arrangements. But it is not a perfect 'hedge': its real price is not fixed in either direction.

Bitcoin has no intrinsic worth: it is virtual, has little practical use and is one of many cryptocurrencies. It is said to be a more credible store of value than government-backed money or gold, but nobody can know if this is true. It has no track record during inflationary times, and during its short life it has been sensationally volatile, and not always in a helpfully uncorrelated way.

Figure 2: Bitcoin volatility in context

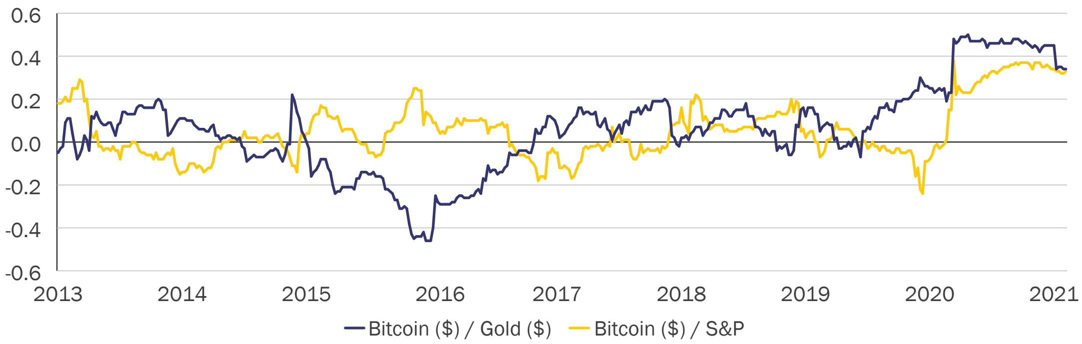
Selected asset class risk characteristics: 2015 to date

	G7 bonds	Junk (HY) bonds	Gold	Global stocks	FANG+ Index	Brent	Bitcoin
Realised daily volatility	2%	4%	12%	13%	22%	19%	59%
Maximum drawdown	-4%	-21%	-19%	-34%	-34%	-44%	-83%

Source: Bloomberg, NYSE, Rothschild & Co.
Note: Calculated in US dollars (unhedged).
Past performance should not be taken as a guide to future performance.

Figure 3: Bitcoin's unstable relationships

Rolling 52-week correlations



Source: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

Both bitcoin and gold score poorly in environmental, social and governance (ESG) terms. The 'mining' of bitcoin is very energy-intensive, and its unregulated aspect is part of its appeal for money launderers and others seeking to transact incognito.

Bitcoin technology and transacting

The sophisticated distributed ledger and blockchain technology used to create bitcoin's public, permissionless network has been part of its allure, but is a very cumbersome form of encryption. The transaction history of each bitcoin – but not its owners' identities – is embedded across the net, and needs to be validated anew each time the coin is transferred. Transactions are significantly slower than on conventional payment networks.

The technology has not yet gained wider traction, in contrast to earlier claims. Its benefits may be delivered more efficiently in other ways. It looks like a complicated answer in search of a question.

If bitcoin were to be used more widely in place of money, its standalone status would cut both ways. It will be independent of governments – but also of regulators and deposit insurance.

Bitcoin and portfolios

Nobody knows if bitcoin will last, let alone sustain its current value. Its price is rising because its price has risen – the hallmark of mania through the ages. An illiquid market, in which the bulk of coins is held by a small number of players, has been swamped with buyers. This will continue until it stops.

At the time of writing, bitcoin's estimated market value is $0.9 trillion; the market value of gold might be $11 trillion. Meanwhile, Apple's market value is $2 trillion and the M2 measure of money supply in the US (which includes cash, savings and money market securities) is $20 trillion. Some estimates of 'fair value' for bitcoin are based on it becoming as large an asset as gold, in which case its price might rise a lot further. Others see its value disappearing completely.

If we do not recommend bitcoin but our competitors do, we risk looking conservative, and our clients' portfolios may lag. But there are many things whose prices have risen, and/or which do not correlate with conventional assets, without us recommending them to clients as long-term wealth-preserving assets. We do not place great faith in benchmarking.

Even in the UK in the 1970s – the most inflationary episode in any large economy in post-war times – the value of money was more stable than bitcoin.

Nobody can know whether bitcoin will turn out to be a return asset, a diversifier, both or neither. There may be an opportunity cost to waiting to find out, but we are happy to bear that.

Inflation risk is a concern, but probably a manageable one. Meanwhile, the banking system seems to be weathering the pandemic (with that government assistance, of course). There is little sign of a widespread loss of confidence in today's money. If there were, it is not clear that bitcoin would be a realistic alternative anyway.

Kevin Gardiner — 22 January

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8 minute read

Corporate debt hangover?

For most of the past decade we have been reading about the impending collapse of corporate credit. And if there was ever a time for chickens to come home to roost...

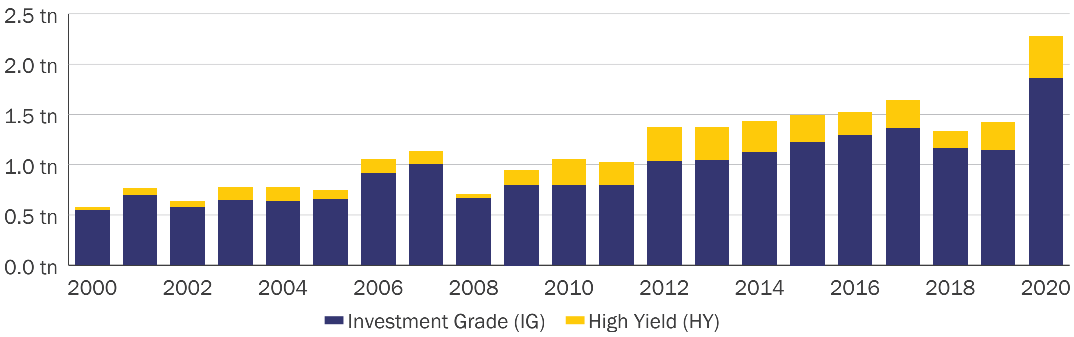
However, the projected surge in defaults has (so far) failed to materialise. It seems the passage of even lower interest rates and the enduring promise of deeply supportive policy has been a boon for corporate issuers – borrowing costs have fallen to all-time lows.

Indeed, the rate of debt accumulation in 2020 was the fastest since the Global Financial Crisis (for US non-financial corporates). Outstanding liabilities currently stand at $11 trillion – nearly double the level witnessed towards the end of the last cycle and now over half of US GDP.

In contrast to recent years, the torrent of corporate fundraising this past year and into 2021 was most visible in public markets – alongside resurgent M&A. US corporate bond issuance (which forms a growing share of total corporate debt) just notched its strongest ever year, with many recent issues oversubscribed.

Figure 1: Corporate bond issuance

US corporate bond issuance ($, trillion)



Source: SIFMA, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

Naturally, questions are mounting once again. Are corporations borrowing too much? Is this another sign of 'bubble trouble'?

Though the absolute level of debt may be worrying, the 'bubble' moniker – often too casually applied in our view – is likely misplaced here.

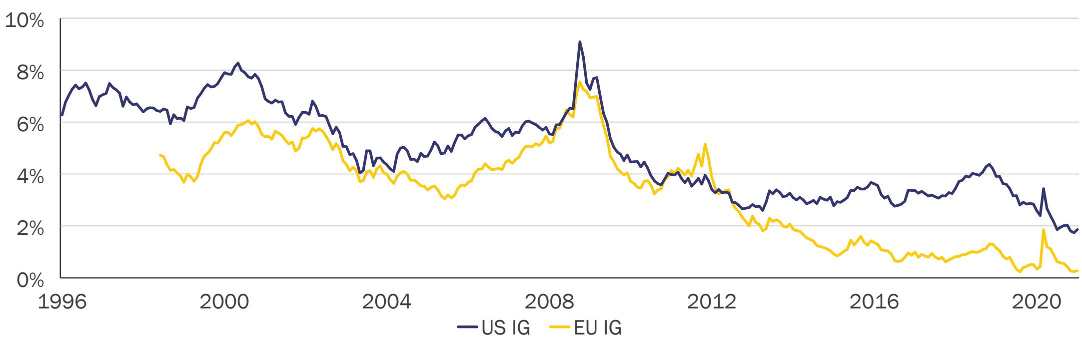
Debt issuance is decided by many things, including internal cash flow, interest rates, equity valuations and liquidity. Total liabilities viewed in isolation tell you nothing about the ability of a company to repay or service those debts. If a robust earnings rebound lies ahead, current leverage may not be so troubling.

2020: a year of two halves

Last spring was characterised by corporate distress: thin liquidity, widening credit spreads and companies forced to draw on their credit lines. The change in the second half of the year was pronounced: liquidity was abundant and financial conditions loose. At the centre of this effort was the US Federal Reserve's crisis-fighting, including programmes that directly purchased commercial paper and high-quality corporate bonds (and later expanded even to recently downgraded 'junk' rated issues). This extended 'lender of last resort' function more than reversed the brief spike in borrowing costs. High-quality corporate credit yields (and spreads over government bonds) are now at (or near) all-time lows.

Figure 2: Borrowing costs fell even as issuance rose

High quality (investment grade) corporate bond yields (YTW, %)

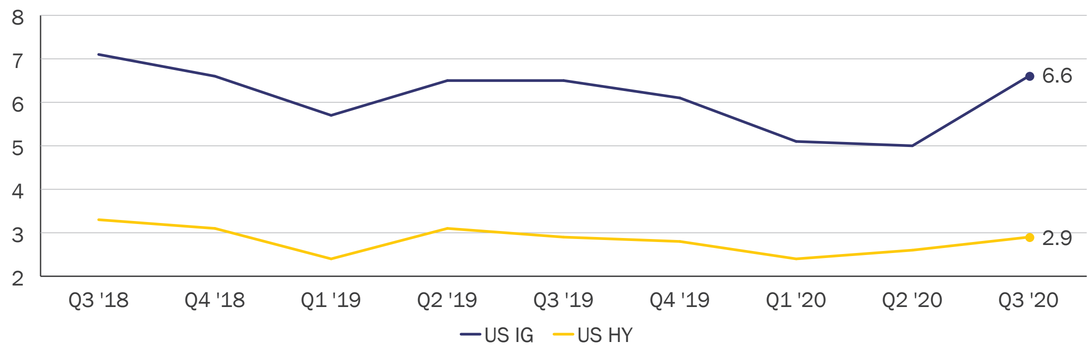


Source: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

Despite the surge in outstanding debt, bottom-up analyses reveal that debt servicing burdens are also starting to fall once again: interest coverage ratios (profits before interest and taxes relative to debt service costs, the inverse of the servicing burden) for high-quality borrowers at the end of the third quarter were 6.6x – higher than at the end of 2018.

Figure 3: Debt servicing burdens look manageable

Median interest coverage ratios for US non-financial companies



Source: S&P Global, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

At the same time, those corporates are even less exposed to the (modest, at present) risk of rising interest rates – the maturity profile of their debt continues to extend. Almost paradoxically, the average US company may be in a better position to service its debts than before the crisis.

An uneven recovery

While many companies have been forced to issue debt to recapitalise deteriorating balance sheets, others have simply been taking advantage of even lower rates. This might be a sensible capital allocation decision.

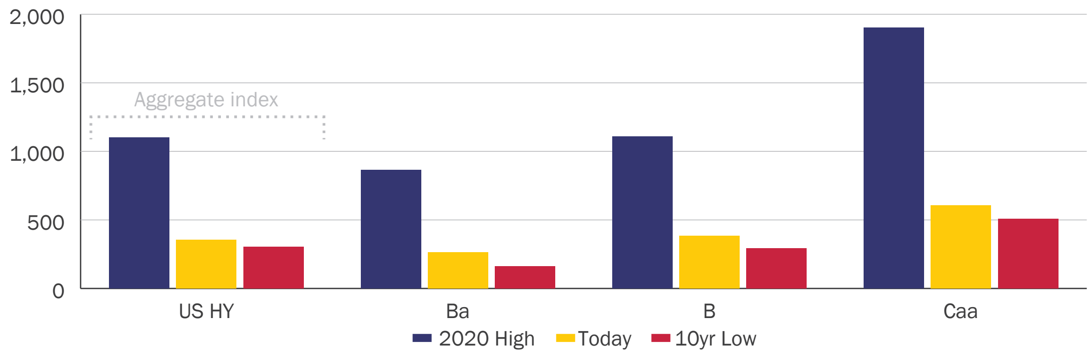
Unsurprisingly, technology and healthcare companies have been the major opportunistic issuers, but other sectors, including many industrial and service businesses with strong fundamentals, have also been favoured by investors. Meanwhile, for companies in the travel and retail segments, borrowing costs (and spreads) remain elevated, reflecting their more challenging outlook.

Looking across the credit spectrum, one side effect of the policy backstop, coupled with investors' 'hunt for yield' (aka TINA – 'There Is No Alternative), is that riskier borrowers have been able to issue debt more easily. The BBB segment (one rung above speculative grade) was ballooning before the pandemic, and this has continued as many highly rated firms have adopted more aggressive financial positions.

While this segment now represents more than half of the US investment grade universe, downgrades and 'fallen angels' have been fewer than feared. The same applies to defaults: the trailing 12-month default rate for US high yield borrowers stood at 6.6% in December – elevated, but not outlandish. This figure may drift higher – if supportive policies are withdrawn before recovery is stronger – but it could be a relatively mild outturn compared with previous default cycles, when peaks ranged from 10% to 13%. This may partly explain why even the riskiest bonds have seen their spreads compress to pre-crisis levels:

Figure 4: Room for manoeuvre?

US high yield credit spreads and selected underlying rating segments (OAS, bps)



Source: Bloomberg, Rothschild & Co.
Past performance should not be taken as a guide to future performance.

Of course, investors attracted to the yield on speculative bonds need to be mindful of the further erosion in creditor protections – what few covenants remain are gradually being weakened.

Looking ahead

There is a clear cyclical pattern to leverage: credit accumulation occurs as economies grow, and deleveraging typically occurs after they contract. This crisis – and the unprecedented policy response – has upended (at least temporarily) that relationship: companies have been able to borrow unencumbered even as cash flows receded. Though some indebted sectors and companies may well face a reckoning, the prospect of a faster and more even recovery may prevent those gloomy predictions from become reality.

After 2020's borrowing surge, it seems likely that debt growth will slow: the recovery in corporate profits and cash flows may reduce the need for issuance. Though with benchmark government yields either close to zero, or in negative territory in many countries, borrowing costs may not rise far soon.

However, the scope for further gains looks constrained. Given the low starting level of yields, we face the possibility that holders of both investment grade and even high yield issues may no longer be able to generate returns in excess of inflation. This, rather than a more dramatic collapse (or the bursting of a 'bubble'), is what we think likely looms ahead for corporate bonds.

Victor Balfour — 3 February

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7 minute read

Optimism – or realism?

What a year – if it really was. The distinction between the days blurred almost as much as that between work and home. And we were the lucky ones, of course. But what next?

Nobody can know, but there are differing perspectives with which to await unfolding events. We choose to look forward with an eye on human nature, and some knowledge of the past. We think a mix of adaptation and invention will most likely help economies reopen eventually, and that living standards will resume their long-term ascent.

When I suggest there may be more growth ahead of us than there is behind us, colleagues and clients often respond that I am an optimist. But I think I am a realist, in a world often inclined – and encouraged – to pessimism. Here are three reasons why.

First, these are not especially uncertain times, they just seem so. Today's outlook was also part of yesterday's future, we simply didn't expect it would look like this. The future is what it always was, namely: unpredictable.

This can cut both ways. Nobody saw 2020 turning out as it did, so we should be wary of making over-confident forecasts now. The groupthink that tells us economic recovery must be weak and slow may be just as wrong as we were when we suggested a year ago that the global economy would grow steadily in 2020.

It is an investment cliché that 'markets hate uncertainty', but if there were no uncertainty there would be no invention and no progress. Arguably one of the points of financial markets in particular is to allow people with different views of an uncertain future to express them. Short-term news and stock market volatility exaggerate the extent to which the long-term outlook is changing, but it does evolve, and that can bring opportunity as well as threat.

Second, there is a public mood, and it is really, really difficult to disengage from it. The human condition is one in which risks are firmly one-sided, and we are all aware of that – exponentially so, as the years pass more quickly! Loss aversion is real, because we will all lose something of ultimate importance. As a result we are insecure, and inclined to worry.

Economists and central bankers are as likely to be taken prisoner by pessimism as the rest of us. There is a dominant academic and policymaker worldview, and when not directed at COVID-19 it focuses on such things as 'secular stagnation', 'demographic timebombs' and the like. Increasingly, inequality and climate change are (with more justification) part of its focus – which could be troubling if you think these things are more important, and deserve a more carefully-considered response than groupthink offers.

It is naïve to suggest that the media tells us what to think, that it sells us something we don't want to buy; but the news machine is ruthlessly efficient at identifying our worries and broadcasting them back to us, amplified and technicoloured. Editorial biases are usually visible, but a bias in favour of sensationalism is more subtle. If nothing happens today, tomorrow's newspapers will still appear.

Pundits seek publicity – much City economics is geared toward public relations – and it is easier, and more entertaining, to be cynical and gloomy. The world-weary wit, confident that disaster is just around the corner, is great value at conferences.

Third, and most importantly, history tells us loudly that material progress is the norm. Economies grow much more often than not. They do so not because of fiscal and monetary policy, though these can be important (and disaster-averting) in the short term. They do so because workers and managements get better at what they do, and move up the 'learning curve' – and because new technology is always arriving.

There can be interruptions and temporary reversals – we are living through a dramatic one. But there are no reasons for believing that we have collectively stopped learning or inventing.

It is easy to overlook even relatively recent progress. In the last four decades, real per capita GDP in the developed world has risen by two-thirds, and China has taken more people out of absolute poverty than any economy ever. US and UK unemployment at the start of 2020 had fallen to levels that we last saw almost half a century ago. Life expectancy has risen, and the world is more peaceful, safer and healthier than at almost any time ('almost' because the pandemic may have temporarily reversed that). The challenges posed by inequality and climate change are likely more manageable than feared. Technology has brought the world and its culture to our doorsteps.

Something that has usually happened in the past does not have to continue (to believe it must is to fall prey to the fallacy of induction). One day the sun may not rise. But without good reason for thinking that the future will be different – and economists' groupthink is not good enough – the past is the only guide we have.

Even realists have worries. In the short term, these include continuing contagion of course, and some recent frothiness in markets. Further ahead, we would add the groupthink and mission creep at central banks, and the potential for renewed inflation. But economies can still grow when we let them, that may be the most important point to bear in mind as we start 2021.

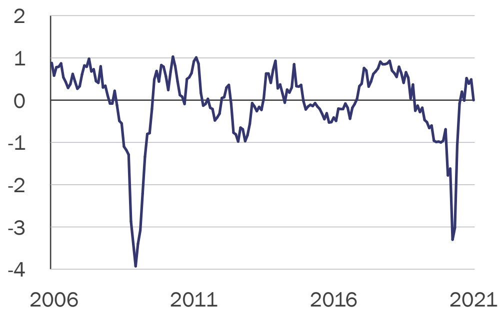
"On what principle is it that, when we see nothing but improvement behind us, we are to expect nothing but deterioration before us?" (Macaulay, 1830)

Kevin Gardiner — 23 December

Economy and markets: background

Growth: major economies

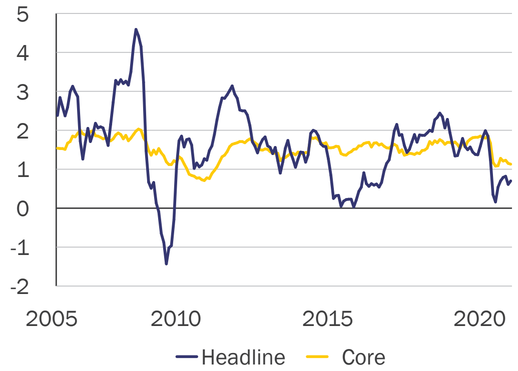
Business optimism: standard deviations from trend



Source: Bloomberg, Rothschild & Co
Composite of the forward-looking components of manufacturing surveys from China, Germany, Japan, UK and US loosely weighted by GDP

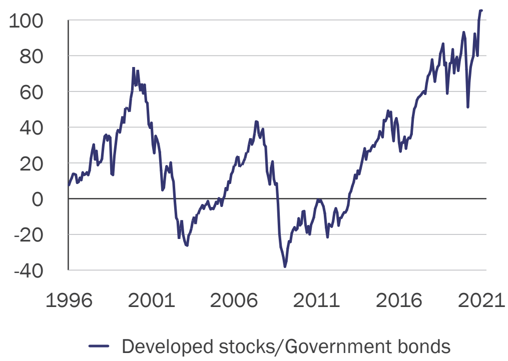
G7 inflation

%, year-on-year



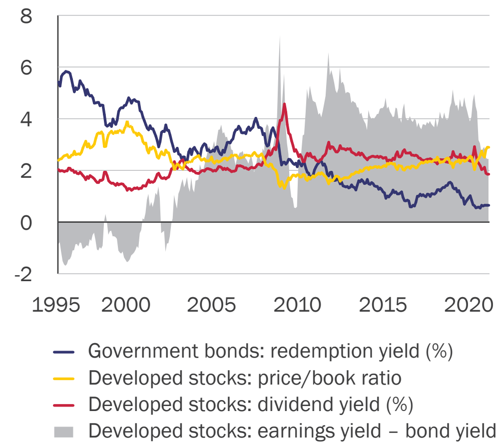
Source: OECD, Bloomberg, Rothschild & Co

Stocks/bonds – relative return index (%)



Source: MSCI, Bank of America Merrill Lynch, Bloomberg, Rothschild & Co

Stocks/bonds – relative valuations



Source: MSCI, Bank of America Merrill Lynch, Bloomberg, Rothschild & Co

Selected bonds

Current yields, recent local currency returns

	Yield (%)	1yr (%)	3yr (%)
10-yr US Treasury	1.2	5.3	21.9
10-yr UK Gilt	0.5	1.4	13.0
10-yr German bund	-0.4	0.3	10.5
10-yr Swiss Govt. bond	-0.3	-2.3	4.0
10-yr Japanese Govt. bond	0.1	-0.6	0.9
Global credit: investment grade (USD)	0.9	3.0	16.6
Global credit: high yield (USD)	4.3	5.6	19.0
Emerging (USD)	3.5	4.0	19.1

Source: Bloomberg, Rothschild & Co

Selected stock markets

Dividend yields, recent local currency returns (MSCI indices)

	Yield (%)	1yr (%)	3yr (%)
World: all countries	1.7	17.2	44.1
Developed	1.7	15.2	44.3
Emerging	1.7	31.6	40.9
US	1.4	22.2	59.8
Eurozone	2.1	0.1	16.7
UK	3.3	-11.3	0.7
Switzerland	2.9	-1.2	32.4
Japan	1.9	14.8	21.8

Source: Bloomberg, Rothschild & Co

Selected exchange rates

Trade-weighted indices, nominal (2000 = 100)

	Level	1yr (%)	3yr (%)
US Dollar (USD)	105	-4.2	3.4
Euro (EUR)	130	6.2	3.9
Yen (JPY)	93	-0.5	5.6
Pound Sterling (GBP)	80	0.1	3.0
Swiss Franc (CHF)	168	2.6	7.9
Chinese Yuan (CNY)	136	4.6	0.0

Source: Bloomberg, Rothschild & Co

Commodities and volatility

	Level	1yr (%)	3yr (%)
CRB spot index (1994 = 100)	184	8.3	-2.3
Brent crude oil ($/b)	61.1	12.2	-2.7
Gold ($/oz.)	1,838	17.0	39.6
Industrial metals (1991 = 100)	295	30.9	9.3
Implied stock volatility: VIX (%)	21.6	39.8	-25.6
Implied bond volatility: MOVE (bps)	46.8	-28.7	-34.9

Source: Thomson Reuters, Bloomberg, Rothschild & Co

Data correct as of 9 February 2021.

Past performance should not be taken as a guide to future performance.

Notes

At Rothschild & Co Wealth Management we offer an objective long-term perspective on investing, structuring and safeguarding assets, to preserve and grow our clients' wealth.

We provide a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities.

In an environment where short-term thinking often dominates, our long-term perspective sets us apart. We believe preservation first is the right approach to managing wealth.

Dusseldorf
Heinrich-Heine-Allee 12
40213 Dusseldorf
Germany
+49 211 8632 17-0

Frankfurt
Börsenstraße 2 – 4
60313 Frankfurt am Main
Germany
+49 69 40 80 260

Geneva
Rue de la Corraterie 6
1204 Geneva
Switzerland
+41 22 818 59 00

Guernsey
St. Julian's Court
St Julian's Avenue
St. Peter Port
Guernsey GY1 3BP
Channel Islands
+44 1481 705194

London
New Court
St Swithin's Lane
London EC4N 8AL
United Kingdom
+44 20 7280 5000

Manchester
82 King Street
Manchester M2 4WQ
United Kingdom
+44 161 827 3800

Milan
Passaggio Centrale, 3
Milan 20123
Italy
+39 02 7244 31

Zurich
Zollikerstrasse 181
8034 Zurich
Switzerland
+41 44 384 7111

Important information