J. Safra Sarasin

Cross-Asset Weekly

29 November 2024

Fiscal concerns on both sides of the Atlantic

Fiscal concerns have become even more prominent for investors following the Republican Sweep, which has heightened worries about unsustainable debt dynamics and rising bond yields in the US. To address these concerns, Donald Trump has tasked Elon Musk and Vivek Ramaswamy with leading the Department of Government Efficiency (DOGE), aiming at reducing bureaucracy and federal spending. That said, extending the 2017 tax cuts alone could add $5.3 trillion to the deficit over a decade. Efficiency gains together with tariffs would likely provide only a partial offset. Without deeper reforms to mandatory programs like Medicare, Medicaid, and Social Security – politically unpalatable moves – public finances are likely to worsen. Still, the true potential of DOGE lies in its ability to speed up the diffusion of cutting-edge technologies.

Over in Europe, the French minority government finds itself without a majority to push through its 2025 budget. Worse still, it could be toppled already next week through a no-confidence vote, opening the prospect for a longer period of uncertainty. Even if the government survives, it will remain inherently unstable. Therefore, it will be difficult to push through the necessary fiscal adjustment and forward-looking structural reforms to get France back on a sustainable debt path. Even if spreads on French government bonds have widened, they still do not offer compelling value.

Finally, we take stock of the equity market moves since the US election and review our sector and style preferences. US banks, which have been the best-performing industry since election day are starting to look expensive. Cyclicals look more than fully priced for the recent recovery in US macro data, making the defensive end of the market more appealing, in our view. Lastly, due to a constructive economic outlook, value is well positioned to outperform growth in 2025, for the first time since 2022.

This week's highlights

US macro 2
DOGE – all bark and no bite?

Euro area fixed income 5
French government already close to the brink

Global equities 7
Taking stock of the Trump trades

Economic Calendar 9
Week of 02/12 – 06/12/2024

Market Performance 10
Global Markets in Local Currencies

Dr. Karsten Junius, CFA
Chief Economist
karsten.junius@jsafrasarasin.com
+41 58 317 32 79

Raphael Olszyna-Marzys
International Economist
raphael.olszyna-marzys@jsafrasarasin.com
+41 58 317 32 69

Mali Chivakul
Emerging Markets Economist
mali.chivakul@jsafrasarasin.com
+41 58 317 33 01

Alex Rohner
Fixed Income Strategist
alex.rohner@jsafrasarasin.com
+41 58 317 32 24

Dr. Claudio Wewel
FX Strategist
claudio.wewel@jsafrasarasin.com
+41 58 317 32 26

Wolf von Rotberg
Equity Strategist
wolf.vonrotberg@jsafrasarasin.com
+41 58 317 30 20

J. Safra Sarasin

Cross-Asset Weekly

29 November 2024

US macro

DOGE – all bark and no bite?

Raphael Olszyna-Marzys
International Economist
raphael.olszyna-marzys@jsafrasarasin.com
+41 58 317 32 69

Donald Trump has tasked Elon Musk and Vivek Ramaswamy with leading the Department of Government Efficiency, aiming to reduce bureaucracy and federal spending. While investors hope their efforts will spur growth, extending the 2017 tax cuts alone could add $5.3 trillion to the deficit over a decade, with probably limited offsets from tariffs and efficiency gains. Without deeper reforms to mandatory programs like Medicare, Medicaid, and Social Security – politically unpalatable moves – public finances are likely to worsen, leaving discretionary spending further squeezed as mandatory outlays and interest payments rise. Still, the true potential of DOGE lies in its ability to speed up the diffusion of cutting-edge technologies.

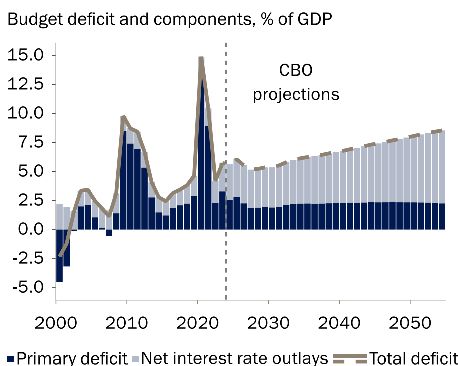
High hopes that DOGE will help reduce the deficit and lead to faster productivity growth

Donald Trump has appointed Elon Musk and Vivek Ramaswamy, two prominent tech entrepreneurs, to lead the newly created Department of Government Efficiency (DOGE). Despite its formal name, this "department" is an advisory body operating outside the federal government (raising concerns over potential conflicts of interest). Its stated mission is to "dismantle bureaucracy, slash excess regulations, cut wasteful spending, and restructure federal agencies". Investors appear cautiously optimistic. Many anticipate that aggressive deregulation and tax cuts could spur real economic growth, while reduced government spending might prevent fiscal recklessness. However, any meaningful impact on the deficit would require substantial reductions in mandatory spending—something Congress will probably struggle to support.

Promises meet fiscal reality

The budget deficit reached around 6.5% of GDP in 2024. The Congressional Budget Office (CBO) projects that, under current laws, the deficit will remain, on average, at similar levels over the next decade, driving the debt-to-GDP ratio onto an unsustainable trajectory. The campaign's tax-cutting promises risk exacerbating the fiscal situation. According to the Committee for a Responsible Federal Budget (CRFB), keeping these promises would push the deficit to 8.5% of GDP on average over the next decade, with a worst-case scenario of exceeding 10%. Extending the 2017 tax cuts alone – something that Congress will almost certainly do – would add $5.3 trillion to the deficit over the next ten years, or roughly 1.5 percentage points of GDP annually. Proposed offsets, such as universal tariffs and reduced green subsidies, would cover only a fraction of this cost, especially if tariffs are wielded more for negotiation leverage than revenue generation (Exhibits 1-4).

Exhibit 1: Deficit is on an upward trajectory



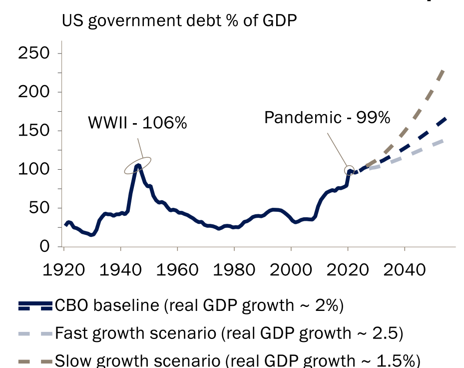
Source: Macrobond, Bank J. Safra Sarasin, 28.11.2024

Exhibit 2: Deficit under different scenarios

Budge deficit % GDP:	CBO baseline	With Trump's campaign promises	Excluding tariffs revenue
2026	6	6.9	7.8
2027	5.5	7.5	8.4
2028	5.9	7.9	8.7
2029	5.7	7.8	8.6
2030	6.2	8.4	9.2
2031	6.2	8.4	9.2
2032	6.5	8.8	9.5
2033	7.1	9.6	10.3
2034	6.9	9.6	10.3
2035	7	9.8	10.4
Average	6.3	8.5	9.2

Source: CRFB, Bank J. Safra Sarasin, 28.11.2024

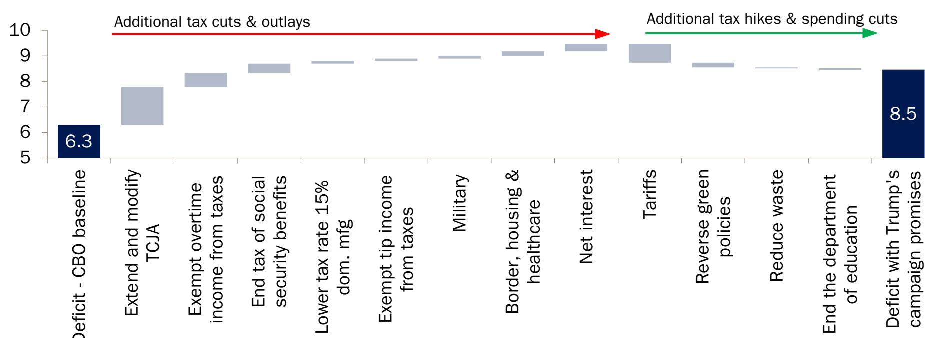
Exhibit 3: Gov. debt on a unsustainable path



Source: Macrobond, Bank J. Safra Sarasin, 28.11.2024

Exhibit 4: Trump has offered many tax cuts but not many ways to finance them

Impact of Trump's proposals on budget deficit compared to CBO baseline, % GDP, FY 2026 - FY 2035



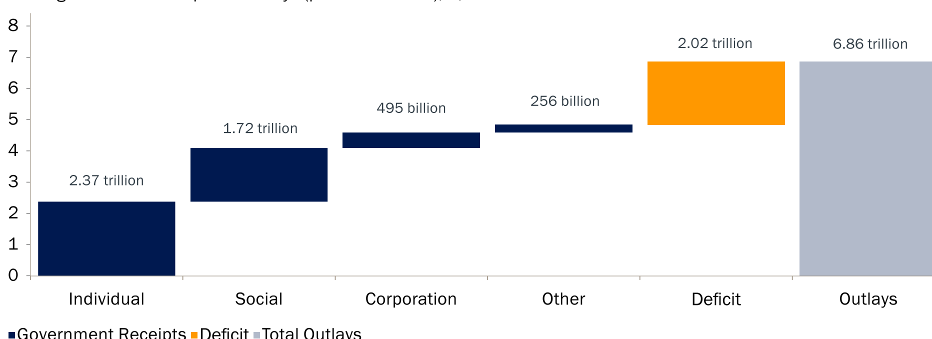
Source: Committee for a Responsible Federal Budget (CRFB), Bank J. Safra Sarasin, 25.11.2024

Can DOGE deliver?

Elon Musk has suggested that DOGE could save as much as $2 trillion from the $7 trillion annual federal budget, enough to eliminate the deficit entirely (Exhibit 4). While this figure is unrealistic, even a credible plan to save $300 billion annually would be a noteworthy achievement, partially offsetting the cost of extending the 2017 tax cuts. Numerous think tanks have long identified feasible paths to achieve such savings without harming the economy or households. Yet these proposals have consistently failed to gain traction in Congress.

Exhibit 4: $2tn amounts to the entire Federal government's deficit

US government receipts vs outlays (past 12 months), $, trillion



Source: CBO, Macrobond, Bank J. Safra Sarasin, 26.11.2024

Mandatory programs which are on auto pilot account for the bulk of government spending

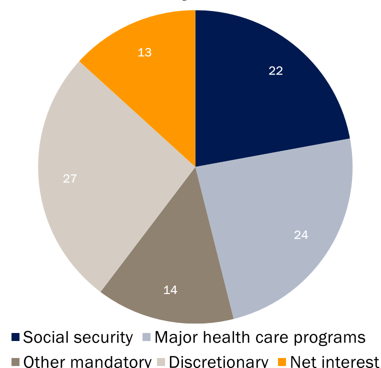
To understand why, consider the composition of federal spending. It falls into three categories: mandatory spending, discretionary spending, and interest payments. The first one is pre-determined by laws and operated largely independently of the annual budget process. The second one is decided and adjusted annually through the appropriations process, giving Congress more control over these expenditures. Net interest rate payments are obviously largely out of the government's control, beyond its ability to rein in deficits. Mandatory spending accounts for around 60% of total expenditures. Of this, health programs (Medicare and Medicaid) and Social Security together make up about 70%, with each representing roughly an equal share. Net interest on the debt adds another 15%. That leaves only 25% of the budget for discretionary spending, which is roughly split between defence and non-defence programs (Exhibit 5).

Net interest payments will rise significantly over the next decades

The CBO projects that the share of spending on health programs and interest payments will rise significantly in the coming decades, driven by an ageing population and growing

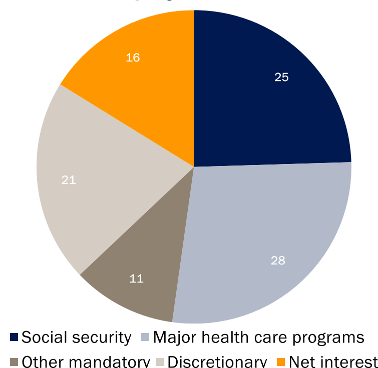
debt. By 2035, discretionary spending is expected to shrink to a fifth of the budget, leaving even less room for manoeuvre (Exhibit 6-7).

Exhibit 5: 2024 outlays as % of total



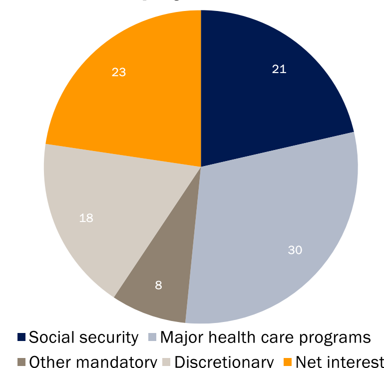
Source: Macrobond, Bank J. Safra Sarasin, 26.11.2024

Exhibit 6: CBO's projections for 2035



Source: Macrobond, Bank J. Safra Sarasin, 26.11.2024

Exhibit 7: CBO's projections for 2053



Source: Macrobond, Bank J. Safra Sarasin, 26.11.2024

Reforming the bureaucracy will help but can only be part of the solution

Musk and Ramaswamy have floated ideas such as automating government services to reduce payroll costs. But salaries and benefits for federal employees amount to about $380 billion annually – only a small fraction of total spending. Cutting red tape and reducing waste might yield modest savings, but they will not cover the cost of extending the 2017 tax cuts, let alone stabilise public finances.

Changing access to Medicare, Medicaid and Social Security is essential to rein in spending but is unlikely to happen

Substantial reforms of mandatory programs, especially Medicare, Medicaid, and Social Security, is the only viable way to reduce spending. For example, the Wharton Budget Model shows that gradually raising the full Social Security retirement age and Medicare eligibility age from 67 to 70 over the next decade could reduce annual spending by 1.5% over the next 30 years. Such changes could boost national savings, increase the capital stock and raise wages, benefiting most age groups and income levels. Yet these reforms remain politically toxic, given their unpopularity with voters.

The Treasury's tightrope

Scott Bessent, nominated as Treasury Secretary, has called for reducing the deficit to 3% of GDP by 2028. Achieving this would require far deeper spending cuts than outlined — particularly if the 2017 tax cuts are extended. Such austerity measures were conspicuously absent from Trump's campaign rhetoric and would likely provoke a voter backlash in the midterms. More plausibly, spending cuts proposed by DOGE, coupled with reduced green subsidies and modest tariff revenue, might only partially offset the cost of extending the 2017 tax cuts. The likely outcome is some further widening of the deficit. This also means that meaningful further tax cuts are improbable, as even some Republicans are likely to balk at measures that would significantly worsen the nation's already precarious fiscal position.

DOGE is unlikely to result in much lower government spending but could speed up the diffusion of cutting-edge technologies

The true potential of DOGE lies in its ability to transform the machinery of government, from drug regulation to military procurement. Reforms in these areas could accelerate the adoption and spread of cutting-edge technologies, driving productivity growth. Achieving this would mark a significant success in its own right.

Euro area fixed income

French government already close to the brink

Alex Rohner
Fixed Income Strategist
alex.rohner@jsafrasarasin.com
+41 58 317 32 24

Unsurprisingly, the French minority government finds itself without a majority to push through its 2025 budget. Worse still, it could be toppled in the coming weeks through a no-confidence vote, opening the prospect for a longer period of uncertainty, before new elections can be called (June 2025 at the earliest). Even if the current government survives, it will remain inherently unstable, making it very difficult to push through necessary fiscal adjustment and forward-looking structural reforms. Although spreads on French OATs have widened, they do not offer compelling value here.

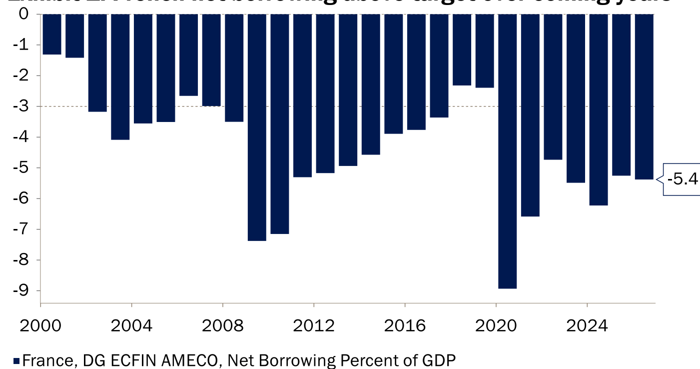
The 2025 budget proves to be a major stumbling block for the new French government

It is not all that unexpected. Christian Barnier's centrist minority government, which was only formed in September, finds itself without a majority to push through its 2025 budget by the end of the year. The budget proposal is looking for EUR 60bn of fiscal adjustments in order to bring France's public finances on a more sustainable trajectory. The far-right Rassemblement National (RN) has so far tolerated the government. But its president Marine Le Pen has objected to the deficit reduction plans and, together with the left, has threatened to support a no-confidence vote against the current government should it invoke Section 3 of Article 49 of the French Constitution. The '49.3' allows the government to force passage of a law without a vote.

The new fiscal adjustments consist of spending cuts and tax hikes

Barnier's budget proposal essentially consists of 40bn of spending cuts across all ministries and 20bn worth of "exceptional and temporary tax hikes". The overall budgetary adjustment would reduce the 2025 fiscal deficit to about 5% from more than 6% this year, but would lead to deficits significantly above 3% for 2024-28 (Exhibit 1). Planned job reductions in the education sector, the delay to the inflation adjustment for pensions and a halt to reimbursements of patients for certain drugs are the most contentious. The tax increases for private individuals will be limited in time and will mainly concern high incomes earners. The planned increase in the electricity tax that was specifically singled out by Marine Le Pen has already been cancelled as a concession to the RN. On the corporate side, more than four hundred of the biggest corporations that have a turnover of more than EUR 1bn will be subject to a 20% corporate tax, that will be reduced after 2025.

Exhibit 1: French net borrowing above target over coming years



Source: Macrobond, Bank J. Safra Sarasin, 27.11.2024

Exhibit 2: French yield spread to Germany has risen further

Source: Macrobond, Bank J. Safra Sarasin, 27.11.2024

J. Safra Sarasin

Cross-Asset Weekly

29 November 2024

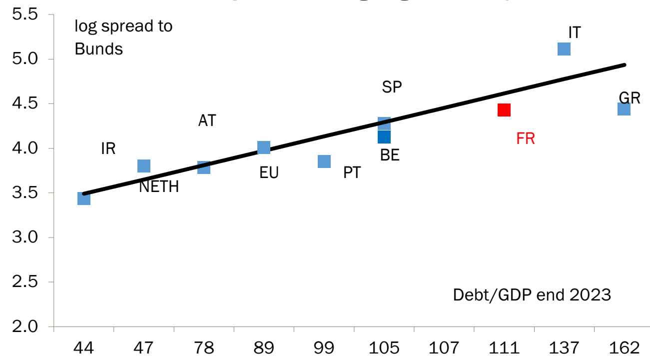
The current budget will not go through without more watering down. In the worst case, the government could fall already next week

The current budget is an attempt to square the circle given that the government is dependent on support from either the far-right or far-left. The budget proposal was therefore not very ambitious and probably too optimistic in its assumptions to begin with. But even so, it will likely not go through without more watering down under the current parliamentary set-up. In the worst case, the current government could fall already next week, without agreement on a new budget. In that case, the current government would immediately be reduced to a caretaker government and would only be able to conduct day-to-day business. Therefore, a longer period of uncertainty would likely follow, before new elections can be called (June 2025 at the earliest). During this period, no meaningful legislation and hence no fiscal adjustment would likely take place. This would be the worst-case scenario for French assets and would likely push up their risk premia significantly.

Current uncertainty is reflected in increasing risk premia for French assets

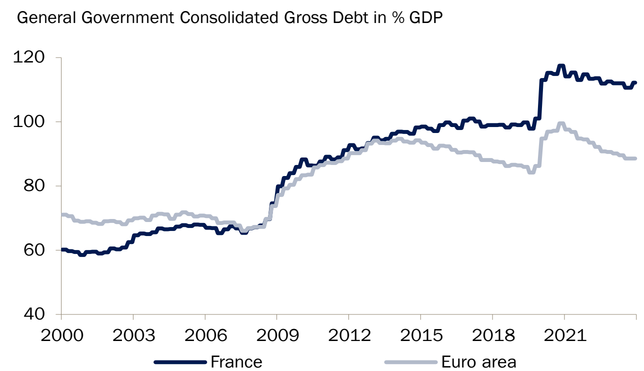
This uncertainty is already reflected in increasing risk premia for French assets, French government bonds in particular. The spread of 10-year French OATs to Germany has widened to 85bp, though it still doesn't look very generous given France's high debt/GDP ratio (Exhibits 2, 3). Absent a visible effort to consolidate government finances, the debt to GDP ratio would diverge even more from the euro area average (Exhibit 4). Therefore, the pressure on French government bonds is unlikely to disappear, with the risk of a further increase in relative borrowing costs. The ECB is unlikely to offer support in case French bond spreads increase further. While the ECB is equipped with policy instruments to intervene in bond markets, it would require a serious effort to adhere to EU fiscal rules.

Exhibit 3: OAT-Bund spread still tight given debt/GDP ratio



Source: Macrobond, Bank J. Safra Sarasin, 27.11.2024

Exhibit 4: French debt/GDP ratio materially worse than EA average



Source: Macrobond, Bank J. Safra Sarasin, 27.11.2024

Worst case still avoidable

The worst outcome of a falling government can still be avoided. The RN could end up supporting the government after all: (1) In her comments after the first meeting with Barnier, Marine Le Pen mentioned other areas where she wants to extract concessions from the government, namely the upcoming immigration law and electoral reform. To get those concessions, the current government needs to remain in place. (2) There is still room for negotiations about details of the state and social security budgets to make it more palatable for the RN. While the planned increase in the electricity tax has now been taken off the table, negotiations with regard to the delay to inflation adjustment for pensions, the reimbursement for certain drugs and a proposal relating to corporate tax relief are ongoing.

French OATs do not offer compelling value

That said, it will be very difficult to push through the necessary fiscal adjustment and forward-looking structural reforms with the current composition of parliament. Even if the current government survives, the OAT-Bund spread might not tighten meaningfully as the government will remain inherently unstable and event risks will be high. In case the government were to fall, the French bond spread could move meaningfully higher. So for now, French OATs do not offer compelling value.

Global equities

Taking stock of the Trump trades

Wolf von Rotberg
Equity Strategist
wolf.vonrotberg@jsafrasarasin.com
+41 58 317 30 20

We take stock of market moves since the US election and review our sector and style preferences. US banks, which have been the best-performing industry since election day are starting to look expensive. Their valuations have recovered back to typical cycle peaks, suggesting more limited upside in the coming weeks. Cyclicals have extended their outperformance vs defensives by another 3% since election day. They are more than fully priced for the recent recovery in US macro data, making the defensive end of the market look more appealing, in our view. Lastly, we re-iterate our preference for value over growth stocks, which have both seen similar gains since election day. A constructive economic outlook coupled with challenging valuations of global growth stocks puts value in a decent spot to outperform growth in 2025, for the first time since 2022.

Markets piled into Trump trades after the election

The sea change the presidential election may bring to US and global politics could be observed in markets since November 6. A sharp rotation into assets which are being perceived as Trump policy winners stands in contrast to assets which are deemed to be losers of his policy agenda. Since election day, the highest returns could be observed in the fringes of the market, where earnings don't matter or don't exist. Tesla and Bitcoin have been among the biggest beneficiaries over recent weeks. As a result, Tesla's PE has risen to almost 100x 12-month forward earnings, while Bitcoin has touched a new all-time high, which is almost 50% above its previous peak (Exhibit 1).

US banks and small caps among major beneficiaries from Trump policies

More fundamentals-based has been the move in US banks, which have gained almost 15% since election day, more than any other US industry. Less regulation, more moderate capital requirements and a more inflationary macro environment are expected to boost their earnings over the coming years. US small cap performance also stands out, delivering almost double the return of the S&P 500 since election day. Small caps are set to be key winners from potential corporate tax cuts while they are also less affected by the potential introduction of additional tariffs, given their domestic sales and cost footprint.

Health care and non-US equities took a hit due to cabinet candidates and tariff risks

Other sectors and regions did not fare as well. Health care for example, took a hit after the president-elect announced his nomination for the health secretary, an outspoken vaccine sceptic. Equities outside the US also had a much harder time, as they are the prime target of US tariffs. This has been visible in the euro area, where equities declined by 2% since the election and in emerging markets, where the MSCI EM dropped by 5% over recent weeks. The appreciation in the US dollar certainly did not help in this regard, adding further pressure on EM equities and currencies.

We think the first chapter of this post-election rotation is coming to an end and it is time to reassess.

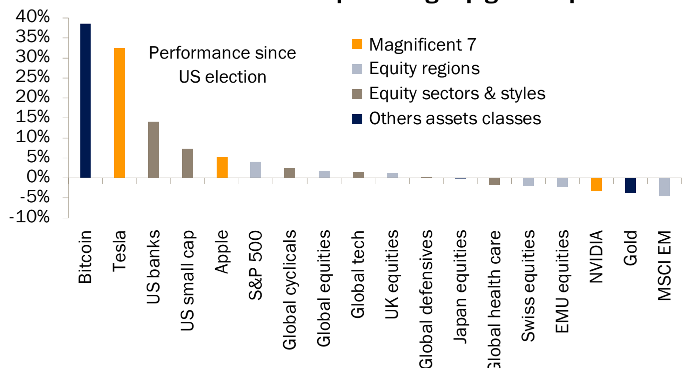
Banks are looking expensive after rally

We had communicated before the election that the banking sector would be one of the biggest beneficiaries of a potential Trump presidency and upgraded financials to most preferred on the back of the election result. The performance since election day has largely reflected this view. While the sector is in a much better place than before COVID, given structurally higher yields and the corresponding steady stream of interest income, the fact that US banks are now trading at previous valuation peaks makes us more cautious on the sector in the short-term (Exhibit 2).

J. Safra Sarasin
Cross-Asset Weekly

29 November 2024

Exhibit 1: US banks and small caps among top gainers post-election



Source: LSEG, Bank J. Safra Sarasin, 27.11.2024

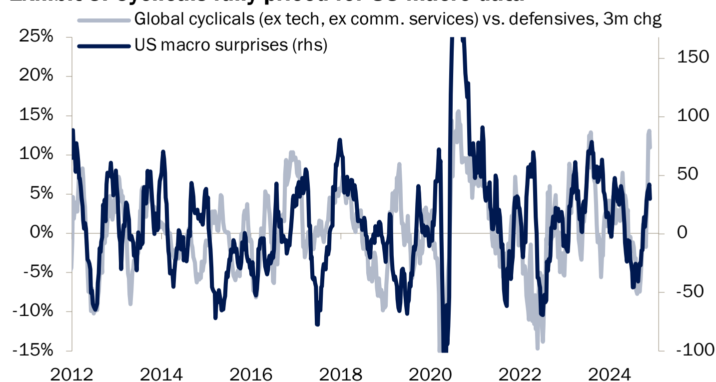
Exhibit 2: US banks price-to-book ratio back at 10-year highs

Source: LSEG, Bank J. Safra Sarasin, 27.11.2024

Defensives looking attractive vs cyclicals after cyclical rally over recent months

We had also neutralised our cyclicals vs defensives preference at the beginning of November. This was less of a reaction to the election outcome, but rather based on the fact that i) cyclicals had already outperformed by around 10% from the beginning of September until the beginning of November and ii) cyclicals vs defensives were largely priced for the rebound in macro momentum. Global cyclicals have outperformed defensives by another 3% since election day and extended their gap to the levels implied by US macro surprises (Exhibit 3). While the US cycle is likely to hold up in 2025, a further sharp rise in macro surprises is unlikely, which would be required for further cyclicals outperformance (Exhibit 4). Short-term upside for cyclicals vs defensives thus appears limited, with defensive looking increasingly attractive.

Exhibit 3: Cyclicals fully priced for US macro data



Source: LSEG, Bank J. Safra Sarasin, 27.11.2024

Exhibit 4: Unlikely to see better US macro surprises in near term

Source: LSEG, Bank J. Safra Sarasin, 27.11.2024

We reiterate medium-term preference for value over growth

Lastly, we reiterate our preference for value over growth, which has a structural component to it. A more inflationary policy stance, coupled with challenging valuations for growth stocks and an increasing focus on AI end-consumer capitalisation, suggest that 2025 could be the first year since 2022 in which value outperforms growth.

Economic Calendar

Week of 02/12 – 06/12/2024

Country	Time	Item	Date	Unit	Consensus Forecast	Prev.
Monday, 02.12.2024						
US	16:00	ISM Manufacturing	Nov	Index	48.00	46.50
	16:00	ISM New Orders	Nov	Index	--	47.10
Tuesday, 03.12.2024						
US	16:00	JOLTS Job Openings	Oct	1'000	--	7443k
Wednesday, 04.12.2024						
EU	11:00	PPI MoM	Oct	mom	---	0.60%
	11:00	PPI YoY	Oct	yoy	--	-3.40%
US	16:00	ISM Services Index	Nov	Index	55.40	56.00
	16:00	ISM Services Employment	Nov	Index	--	53.00
	20:00	Federal Reserve Beige Book				
Thursday, 05.12.2024						
EU	11:00	Retail Sales MoM	Oct	mom	--	0.50%
	11:00	Retail Sales YoY	Oct	yoy	--	2.90%
US	14:30	Initial Jobless Claims	Nov30	1'000	--	213k
	14:30	Continuing Claims	Nov23	1'000	--	1097k
Friday, 06.12.2024						
US	14:30	Change in Nonfarm Payrolls	Nov	1'000	190k	12k
	14:30	Change in Private Payrolls	Nov	1'000	200k	-28k
	14:30	Change in Manufact. Payrolls	Nov	1'000	30k	-46k
	16:00	U. of Mich. Expectations	Nov	Index	--	76.90
	16:00	U. of Mich. 5-10 Yr Inflation	Nov	%	--	3.20%

Source: Bloomberg, J. Safra Sarasin as of 28.11.2024

Market Performance

Global Markets in Local Currencies

Government Bonds	Current value	Δ 1W (bp)	Δ YTD (bp)	TR YTD in %
Swiss Eidgenosse 10 year (%)	0.31	-5	-39	4.0
German Bund 10 year (%)	2.13	-12	10	1.5
UK Gilt 10 year (%)	4.28	-19	74	-1.5
US Treasury 10 year (%)	4.22	-18	34	1.4
French OAT - Bund, spread (bp)	82	2	28	
Italian BTP - Bund, spread (bp)	122	-4	-46	

Stock Markets	Level	P/E ratio	1W TR in %	TR YTD in %
SMI - Switzerland	11’710	17.9	1.0	8.6
DAX - Germany	19’426	14.8	1.5	16.0
MSCI Italy	1’064	9.7	-0.3	11.1
IBEX - Spain	11’611	11.0	0.1	20.0
DJ Euro Stoxx 50 - Eurozone	4’759	14.0	0.1	8.7
MSCI UK	2’363	12.2	1.6	10.8
S&P 500 - USA	5’999	25.4	1.4	27.3
Nasdaq 100 - USA	20’744	32.8	0.4	24.2
MSCI Emerging Markets	1’080	13.5	-0.5	8.2

Forex - Crossrates	Level	3M implied volatility	1W in %	YTD in %
USD-CHF	0.88	7.5	-1.4	4.7
EUR-CHF	0.93	6.1	0.1	0.3
GBP-CHF	1.12	7.1	0.0	4.6
EUR-USD	1.06	7.9	1.5	-4.2
GBP-USD	1.27	7.9	1.5	-0.1
USD-JPY	150.0	11.2	-3.1	6.4
EUR-GBP	0.83	4.9	0.0	-4.1
EUR-SEK	11.52	6.0	0.2	3.4
EUR-NOK	11.65	7.6	1.0	3.8

Commodities	Level	3M realised volatility	1W in %	YTD in %
Bloomberg Commodity Index	98	13.1	-0.1	-0.2
Brent crude oil - USD / barrel	74	27.2	-1.9	-5.0
Gold bullion - USD / Troy ounce	2’665	21.5	-0.2	29.2

Source: J. Safra Sarasin, Bloomberg as of 28.11.2024

Important Information

This publication has been prepared by Bank J. Safra Sarasin Ltd (the "Bank") for information purposes only. It is not the result of financial research conducted. Therefore, the "Directives on the Independence of Financial Research" of the Swiss Bankers Association do not apply to this publication.

Any views, opinions and commentaries in this publication (together the "Views") are the Views of the authors and may deviate from those other departments within the Bank. The Bank may make investment decisions or take proprietary positions that are inconsistent with the Views expressed herein. It may also provide advisory or other services to companies mentioned in this publication resulting in a conflict of interest that could affect the Bank's objectivity. While the Bank has taken steps to avoid or disclose, respectively, such conflicts, it cannot make any representation in such regard. The Views contained in this publication are as per the date of writing and may be subject to change without notice.

This publication is based on publicly available information and data ("the Information") believed to be correct, accurate and complete. The Bank has not verified and is unable to guarantee the accuracy and completeness of the Information contained herein. Possible errors or incompleteness of the Information do not constitute legal grounds (contractual or tacit) for liability, either with regard to direct, indirect or consequential damages. In particular, neither the Bank nor its shareholders and employees shall be liable for the Views contained in this publication. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data provided and shall have no liability for any damages of any kind relating to such data.

This publication does not constitute a request or offer, solicitation or recommendation to buy or sell investment instruments or services. It should not be considered as a substitute for individual advice and risk disclosure by a qualified financial, legal or tax advisor. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass on this publication on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

Past performance is no indication of current or future performance. Investments in foreign currencies are subject to exchange rate fluctuations. Exchange rate risk will apply if the investor's reference currency is not the same as the investment currency. Information containing forecasts are intended for information purpose only and are neither projections nor guarantees for future results and could differ significantly for various reasons from actual performance. The Views and opinions contained in this publication, along with the quoted figures, data and forecasts, may be subject to change without notice. There is no obligation on the part of the Bank or any other person to update the content of this publication. The Bank does not accept any liability whatsoever for losses arising from the use of the Information (or parts thereof) contained in this document.

Neither this publication nor any copy thereof may be sent to or taken into the United States or distributed in the United States or to a US person. This publication is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) such distribution is prohibited and may only be distributed in countries where its distribution is legally permitted.

This publication constitutes marketing material. If it refers to a financial instrument for which a prospectus and/or a key investor/information document exists, these are available free of charge from Bank J. Safra Sarasin Ltd, Elisabethenstrasse 62, P.O. Box, CH-4002 Basel, Switzerland.

Bloomberg

"Bloomberg®" and the referenced Bloomberg Index/Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Bank J. Safra Sarasin Ltd. Bloomberg is not affiliated with Bank J. Safra Sarasin Ltd, and Bloomberg does not approve, endorse, review, or recommend the financial instrument(s) mentioned in this publication. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the financial instrument(s) mentioned in this publication.

ICE Data Indices

Source ICE Data Indices, LLC ("ICE DATA"), is used with permission. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. Neither ICE Data, its affiliates or their respective third party providers shall not be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and index data and all components thereof are provided on an "as is" basis and your use is at your own risk. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse, or recommend Bank J. Safra Sarasin Ltd, or any of its products or services.

J.P. Morgan

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2020, J.P. Morgan Chase & Co. All rights reserved.

MSCI Indices
MSCI Disclaimer: https://www.msci.com/notice-and-disclaimer-for-reporting-licenses
SMI
SIX Swiss Exchange AG ("SIX Swiss Exchange") is the source of SMI Indices® and the data comprised therein. SIX Swiss Exchange has not been involved in any way in the creation of any reported information and does not give any warranty and excludes any liability whatsoever (whether in negligence or otherwise) – including without limitation for the accuracy, adequateness, correctness, completeness, timeliness, and fitness for any purpose – with respect to any reported information or in relation to any errors, omissions or interruptions in the SMI Indices® or its data. Any dissemination or further distribution of any such information pertaining to SIX Swiss Exchange is prohibited.
Distribution Information
Unless stated otherwise this publication is distributed by Bank J. Safra Sarasin Ltd (Switzerland).
The Bahamas: This publication is circulated to private clients of Bank J. Safra Sarasin (Bahamas) Ltd, and is not intended for circulation to nationals or citizens of The Bahamas or a person deemed 'resident' in The Bahamas for the purposes of exchange control by the Central Bank of The Bahamas.
Dubai International Financial Centre (DIFC): This material is intended to be distributed by J. Safra Sarasin (Middle East) Ltd ("JSSME") in DIFC to professional clients as defined by the Dubai Financial Services Authority (DFSA). JSSME is duly authorised and regulated by DFSA. If you do not understand the contents of this document, you should consult an authorised financial adviser. This material may also include Funds which are not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Issuing Document or other documents in connection with these Funds. Accordingly, the DFSA has not approved the Issuing Document or any other associated documents nor taken any steps to verify the information set out in the Issuing Document, and has no responsibility for it. The Units to which the Issuing Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units.
Germany: This marketing publication/information is being distributed in Germany by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main, for information purposes only and does not lodge claim to completeness of product characteristics. Insofar as information on investment funds is contained in this publication, any product documents are available on request free of charge from J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main in English and German language. To the extent that indicative investment options or portfolio structures are included, the following applies: The indicative investment options or portfolio structures presented in these documents and the underlying model calculations are based on the information and data provided to us in the context of the asset advisory discussion, and we have not checked them for accuracy or completeness. The indicative investment option/portfolio structure described here is thus intended as a guide and does not make any claim to comprehensive suitability but aims to inform you about the general possibilities that an investment entails. In order to provide you with a final investment recommendation that is tailored to your specific situation, we need further information, in particular on your investment goals, risk tolerance, experience and knowledge of financial services and products and your financial situation. This publication is intended to be distributed by J. Safra Sarasin (Deutschland) GmbH, Kirchnerstraße 6-8, 60311 Frankfurt am Main to clients domiciled or having their registered office in Germany and is directed exclusively at institutional clients who intend to conclude investment business exclusively as entrepreneurs for commercial purposes. This clientele is limited to credit and financial services institutions, capital management companies and insurance companies, provided that they have the necessary permission for the business operation and are subject to supervision, as well as medium and large corporations within the meaning of the German Commercial Code (section 267 (2) and (3) HGB).
Gibraltar: This marketing document is distributed from Gibraltar by Bank J. Safra Sarasin (Gibraltar) Ltd, First Floor Neptune House, Marina Bay, Gibraltar to its clients and prospects. Bank J. Safra Sarasin (Gibraltar) Ltd whose Registered Office is 57/63 Line Wall Road, Gibraltar offers wealth and investment management products and services to its clients and prospects. Incorporated in Gibraltar with registration number 82334. Bank J. Safra Sarasin (Gibraltar) Ltd is authorised and regulated by the Gibraltar Financial Services Commission. Telephone calls may be recorded. Your personal data will be handled in accordance with our Data and Privacy Statement. Where this publication is provided to you by Bank J. Safra Sarasin (Gibraltar) Limited: This document is approved as a marketing communication for the purposes of the Financial Services Act 2019. Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden. You are reminded to read all relevant documentation before making any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.
Hong Kong: This document is disseminated by Bank J. Safra Sarasin Ltd, Hong Kong Branch in Hong Kong. Bank J. Safra Sarasin Ltd, Hong Kong Branch is a licensed bank under the Hong Kong Banking Ordinance (Cap. 155 of the laws of Hong Kong) and a registered institution under the Securities and Futures Ordinance (cap. 571 of the laws of Hong Kong).
Luxemburg: This publication is distributed in Luxembourg by Banque J. Safra Sarasin (Luxembourg) SA (the "Luxembourg Bank"), having its registered office at 17-21, Boulevard Joseph II, L-1840 Luxembourg, and being subject to the supervision of the Commission de Surveillance du Secteur financier – CSSF. The Luxembourg Bank merely agrees to make this document available to its clients in Luxembourg and is not the

author of this document. This document shall not be construed as a personal recommendation as regards the financial instruments or products or the investment strategies mentioned therein, nor shall it be construed as and does not constitute an invitation to enter into a portfolio management agreement with the Luxembourg Bank or an offer to subscribe for or purchase any of the products or instruments mentioned therein. The information provided in this document is not intended to provide a basis on which to make an investment decision. Nothing in this document constitutes an investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate for individual circumstances. Each client shall make its own appraisal. The liability of the Luxembourg Bank may not be engaged with regards to any investment, divestment or retention decision taken by the client on the basis of the information contained in the present document. The client shall bear all risks of losses potentially incurred as a result of such decision. In particular, neither the Luxembourg Bank nor their shareholders or employees shall be liable for the opinions, estimations and strategies contained in this document.

Monaco: In Monaco this document is distributed by Banque J. Safra Sarasin (Monaco) SA, a bank registered in “Principauté de Monaco” and regulated by the French Autorité de Contrôle Prudentiel et de Résolution (ACPR) and Monegasque Government and Commission de Contrôle des Activités Financières («CCAF»).

Panama: This publication is distributed, based solely on public information openly available to the general public, by J. Safra Sarasin Asset Management S.A., Panama, regulated by the Securities Commission of Panama.

Qatar Financial Centre (QFC): This material is intended to be distributed by Bank J. Safra Sarasin (QFC) LLC, Qatar [“BJSSQ”] from QFC to Business Customers as defined by the Qatar Financial Centre Regulatory Authority (QFCRA) Rules. Bank J. Safra Sarasin (QFC) LLC is authorised by QFCRA. This material may also include collective investment scheme/s (Fund/s) that are not registered in the QFC or regulated by the Regulatory Authority. Any issuing document / prospectus for the Fund, and any related documents, have not been reviewed or approved by the Regulatory Authority. Investors in the Fund may not have the same access to information about the Fund that they would have to information of a fund registered in the QFC; and recourse against the Fund, and those involved with it, may be limited or difficult and may have to be pursued in a jurisdiction outside the QFC.

Singapore: This document is disseminated by Bank J. Safra Sarasin Ltd., Singapore Branch in Singapore. Bank J. Safra Sarasin, Singapore Branch is an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110), a wholesale bank licensed under the Singapore Banking Act (Cap. 19) and regulated by the Monetary Authority of Singapore.

United Kingdom: This document is distributed from the UK by Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch, 47 Berkeley Square, London, W1J 5AU, to its clients, prospects and other contacts. Bank J. Safra Sarasin (Gibraltar) Ltd offers wealth and investment management products and services to its clients and prospects through Bank J. Safra Sarasin (Gibraltar) Ltd, London Branch. Registered as a foreign company in the UK number FC027699. Authorised by the Gibraltar Financial Services Commission and subject to limited regulation in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority. Registration number 466838. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. Registered office 57 - 63 Line Wall Road, Gibraltar. Telephone calls may be recorded. Your personal data will be handled in accordance with our Data and Privacy Statement. Where this publication is provided to you by Bank J. Safra Sarasin (Gibraltar) Limited, London Branch: Nothing in this document is intended to exclude or restrict any liability that we owe to you under the regulatory system that applies to us, and in the event of conflict, any contrary indication is overridden. You are reminded to read all relevant documentation relating to any investment, including risk warnings, and to seek any specialist financial or tax advice that you need. You are not permitted to pass this document on to others, apart from your professional advisers. If you have received it in error please return or destroy it.

© Copyright Bank J. Safra Sarasin Ltd. All rights reserved.