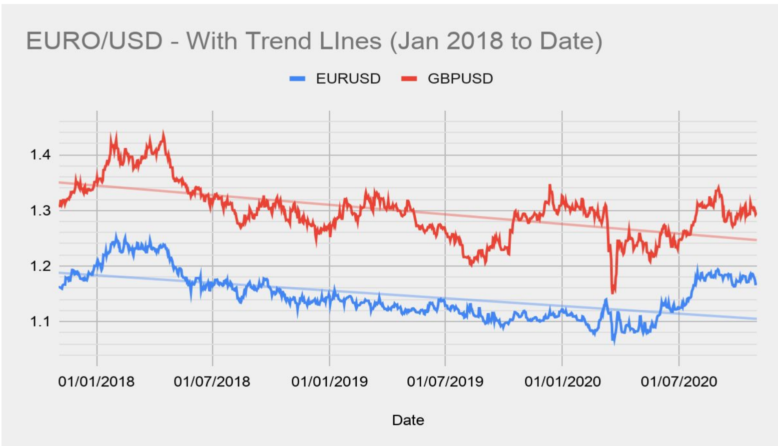
ORTEGA The Market Wrap October 2020

Introduction - Welcome to our third issue of our monthly summary of the market. We shall give you the price action across asset classes and offer our insights and opinions. We hope these will aid your understanding of markets and the complex system that is the global economy. We shall generally use ETFs in our market appraisals as these are easily accessible and liquid entities that are now in very common use and reflect most facets of the markets. We hope you enjoy and if you have any questions please visit our website: www.toiip.com or contact us at: info@toiip.com - Thank You and enjoy !

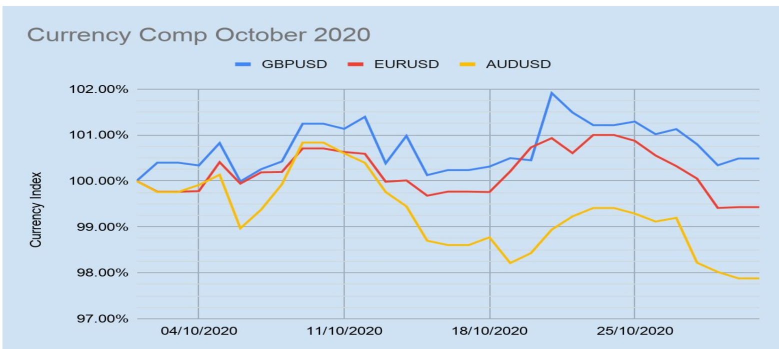
Currency

During October we saw the USD being range bound fluctuating between 92 and 94 on the DXY. With the US elections around the corner this is predictable and generally we have seen a reduction of risk going into the event.The Chinese Yuan has started to strengthen on the hopes of reflation. China on the whole has dealt with the pandemic better than the western world and therefore their economy is in a better place than the western economies.Whether this Yuan strength will continue is debatable as they are still inherently short of USD and if they cannot gain free access to these we could see a reversal in this situation. More troubled economies such as Turkey have seen a big devaluation against the USD this month.

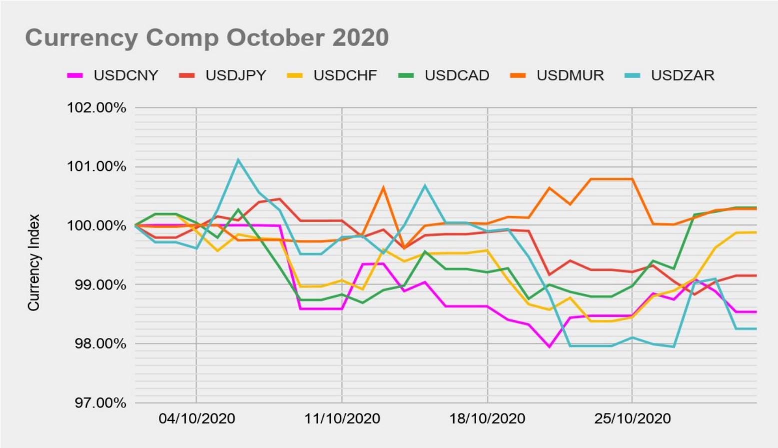


The USD short position has been reduced a bit this month as we head into the US election,but still remains fairly sizeable. The US will not be getting any fiscal stimulus until early next year (around mid February).Europe has initiated new lock downs which shall dent their recovery even more and this is as they already have deflation. The ECB has chosen not to act until the December meeting which may be too late to prevent severe damage to their economy.

Fairly quiet month with the Aussie performing the worst of this set. Sterling is showing relative strength with the hopes of a Brexit deal which shall benefit them. However the UK has also just announced a new lockdown and we see the risks in this pair to the downside.The euro has recently weakened with the introduction of a new lockdown and still not knowing when there will be fiscal stimulus coming

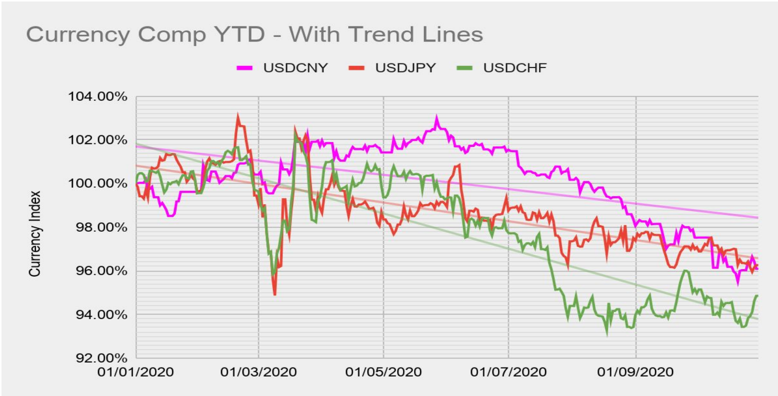


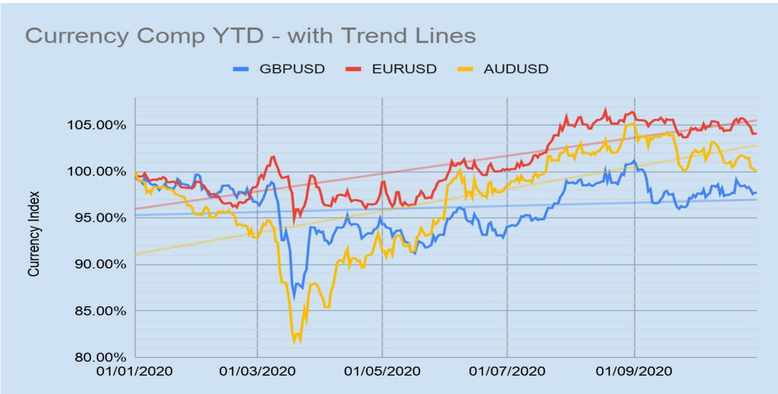
The result of the US election will provide a lot of clarity moving forward but the path and magnitude of the virus is still a preeminent factor.



The Chinese Yuan and the Rand have shown strength this month against the USD. On the whole China has handled the virus better than the western world therefore their economy is in a better place. However China is inherently short of USD and unless they can gain free access to these we may see a reversal in this strength. As the global economy recovers and trade starts to flow so the need for USD will increase.At this point any shortages will become apparent, and we could see some sharp currency moves.

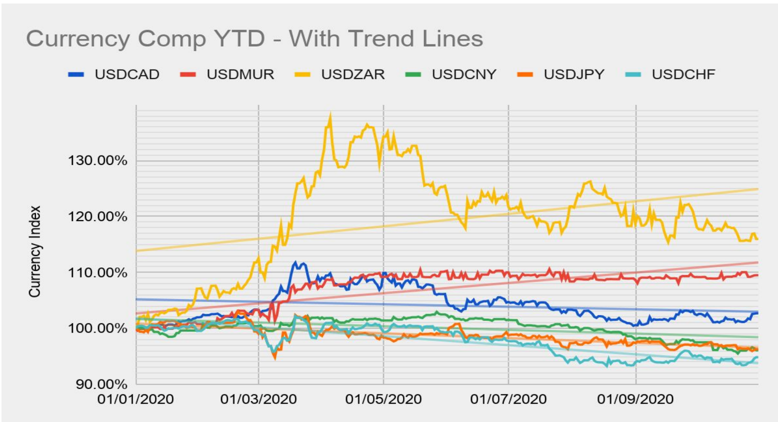
USD is still in a downtrend for the YTD, but recently showed strength against the CHF.If you believe in the continuation of this trend this may represent a short opportunity. This may be considered by ourselves as a short term trade. In the longer run we still stick to our belief that the USD will appreciate as in growth terms it will lead other countries out of this recession. The direction of the dollar remains very important to future events and is something we are continually monitoring.





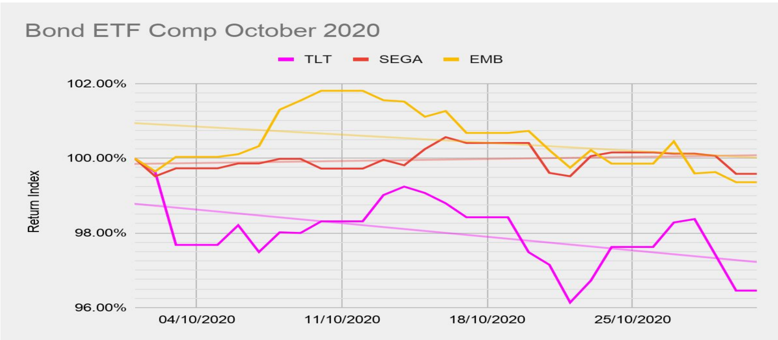
We may be seeing the topping out of the USD here.Obviously the US election will have a great input as to the direction from here on it as policies will differ in the varying outcomes. We do believe that the fundamentals of the global monetary system support the USD rising which will lead to its eventual collapse. The balance sheets of countries around the world are as bad if not worse than the US and none of them have the advantage of being the reserve currency

As we can see here the smaller and more vulnerable currencies of the world are starting to show the cracks and struggle to maintain their value to the USD. We envisage that as the global economy eventually opens up to somewhere near its prior levels the demand for USD will rise to facilitate trade and then we shall see the true equilibrium of the currency markets. There may be further issues in the repo markets ahead and this is something towatch closely.



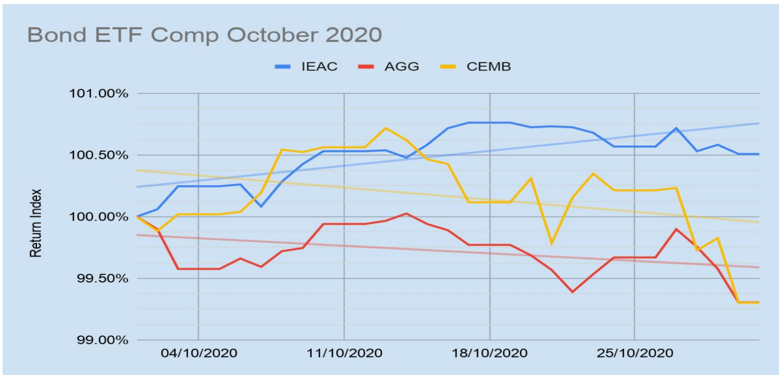
Fixed Income / Bonds

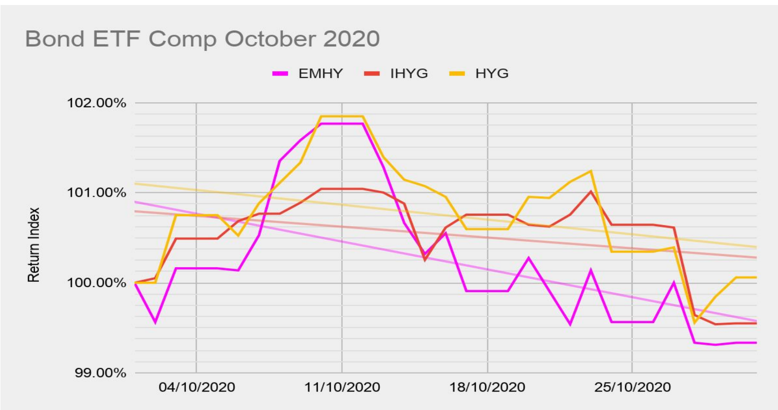
US 10 Y yield rose as high as 0.85 this month on thoughts of a democratic sweep in the US elections. The long position in long term yields is at an all time high. People are believing in the reflation-trade,however, with Europe now going into further lockdowns and there being a risk that the US may follow this narrative may be short lived as we all face a bleak winter. With this kind of positioning in the long end of the yield curve we find it amazing that the 30 year rates are only at around 1.6%.



Europe and emerging market Govt.bonds were fairly flat this month, with Us Govt.debt selling off a bit as inflation concerns took hold. The US election is on everyone's mind and there will not be clarity on market directions until we get an outcome to this. We still favor US govt.debt over the medium term and see any fall in prices as a buying opportunity.

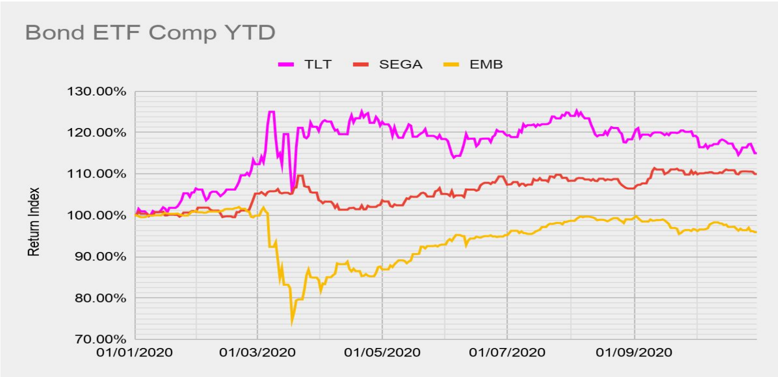
Corporate debt markets this month were quiet and we see them staying fairly stable for the coming months with no real opportunities presenting themselves. The general increase in corporate issuance this year is a concerning factor for the markets moving forward but in the short term we do not see any adverse effects especially in the high grade area. Whether the FED will be willing to offer further support in this area is questionable





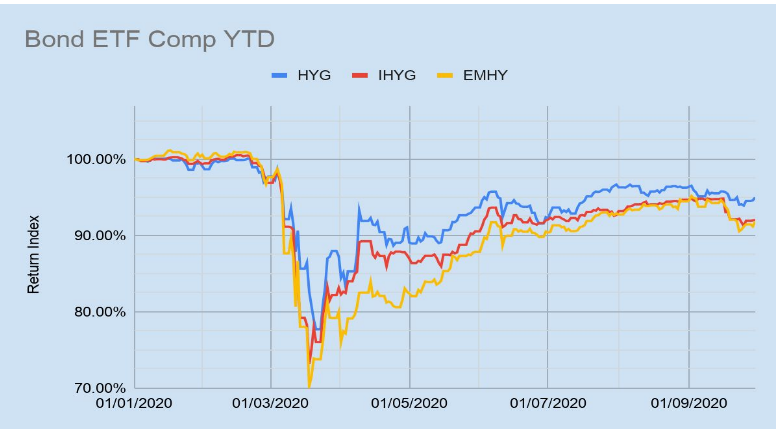
This is an area that we'll need to watch carefully for any increase in spreads as this could be the canary in the coalmine. As cash flows fail to come back as quickly as expected we can see there being solvency problems across this whole space. Europe could be the most exposed in this space,with the US following closely. This is not something that we would recommend to own at this stage and may look to short in the near future.

Q4 is going to be tough for the global economy and by the end of this quarter we should have a lot more clarity on where the economy really is, US and Europe no further fiscal packages.



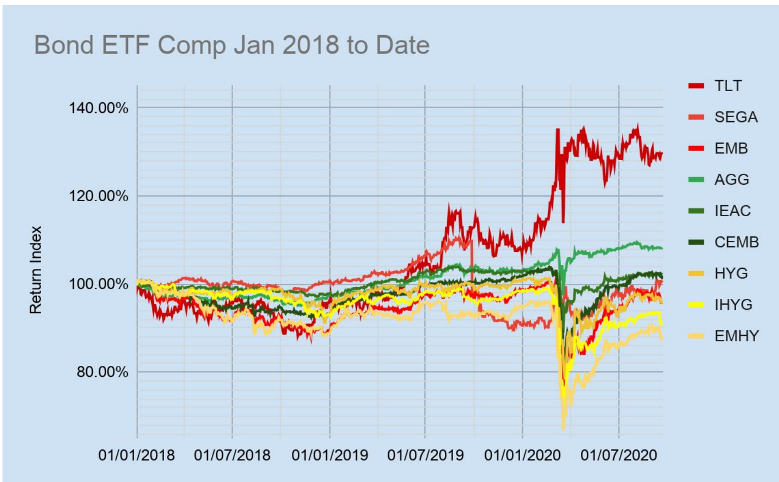
Relatively small selloff in the US government bonds this month, but still outperforming its rivals. With everyone expanding their balance sheets in these trying times we still do not see how governments could cope with rising yields until their debts have been reduced. We do not see a sell off in bonds anytime in the near future and do not concur with the reflation narrative that abounds at the moment

A small down tick in corporate bonds this month. Do not see much action in the coming months in the high grade corporate space. With the question marks hanging over the efficacy going forward of the 60:40 portfolio we may look to see some movements later on as the market participants look to adjust portfolio construction for the years ahead. We could see demand diminish in the future for new issuance with rates at these levels.



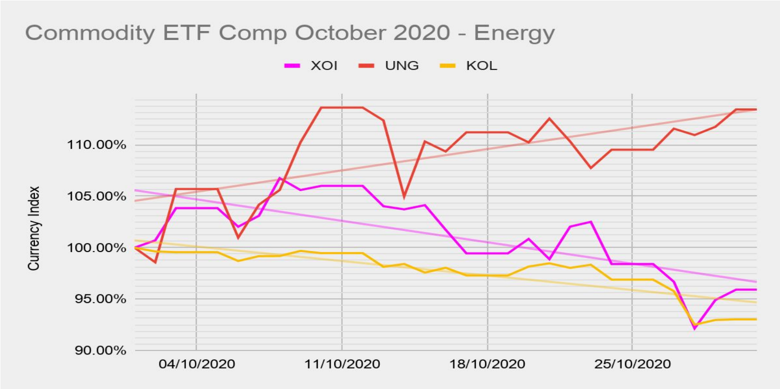
With spreads so tight at the moment we see no real value in this space generally and as zombie companies have been allowed to survive past their normal extinction phase the recovery rate of capital is starting to shrink making the risk reward equation not look as attractive as it once was. Now an area we would look to hold investments in at present and could be the warning signal for the solvency issues that are slowly building momentum around the world.

Still the same picture here showing that the demand for US high quality debt is still stronger than those of other areas and currencies. As there is a global currency debasement going on this will remain a relative game and we see the USD holding up for the time being. The challenge ahead will be what asset can portfolio managers use to provide uncorrelated returns to the equity part of the portfolio. We see that there is still some efficacy in bonds but how long this shall persist is anyone's guess at present.



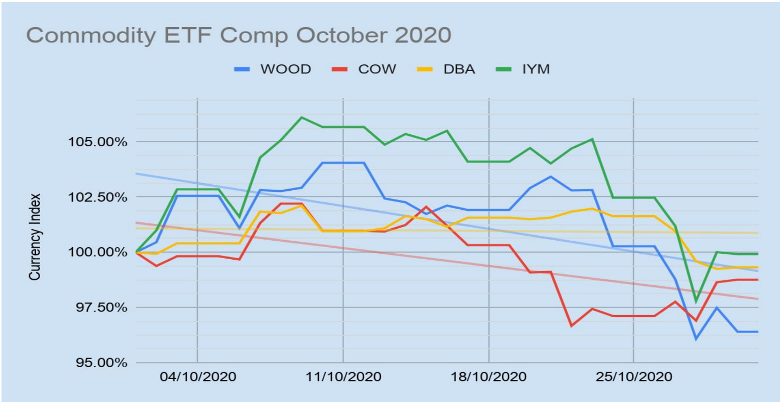
Commodities

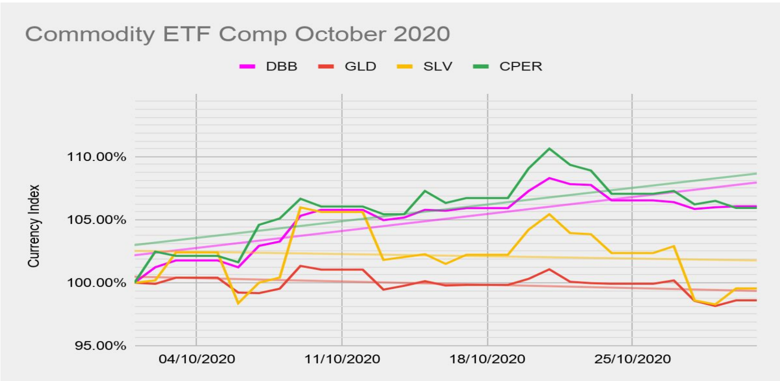
Commodities this month have had a quiet month with base metals seeing gains as well as natural gas. Other energy commodities have seen falls this month. This still indicates to us that the global economy is not in a good place and all the "stimulus" is just papering over the cracks which with the latest round of lockdowns will get wider and wider. China has recovered best of all countries but their build up in inventories is concerning to us, and with no stimulus on the immediate horizon for both the US and Europe, we are concerned.



Natural gas jumped this month as people came to a realisation that this commodity will likely form a larger part of global energy in the future. Oil and coal declined this month, representing the lack of current global demand for energy which illustrates that the recovery is slowing and may stall out over the Winter period. Due to the energy density of oil we feel that this will recover as the global economy finally does pick up.

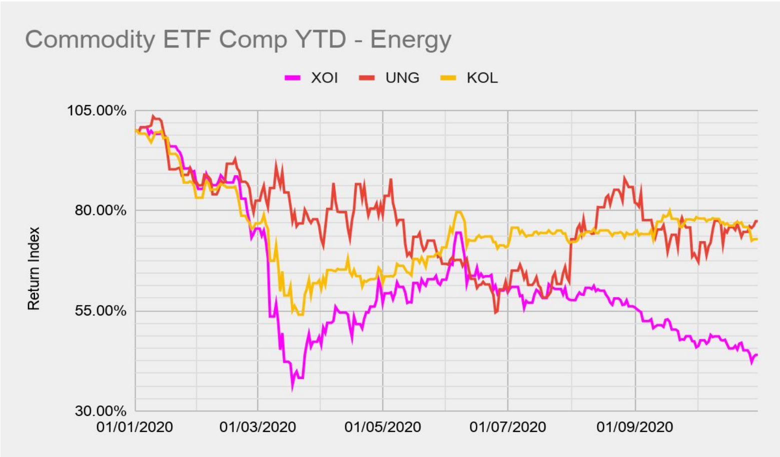
These saw a small decline over the month again showing how the global recovery is losing momentum and the hope of a v shaped recovery seems to finally be receding from people's perceptions. A larger decline may occur over the coming months with the lack of stimulus and the virus surging again across the northern hemisphere. US elections again will play a major role in the immediate path of the economy over the coming months.





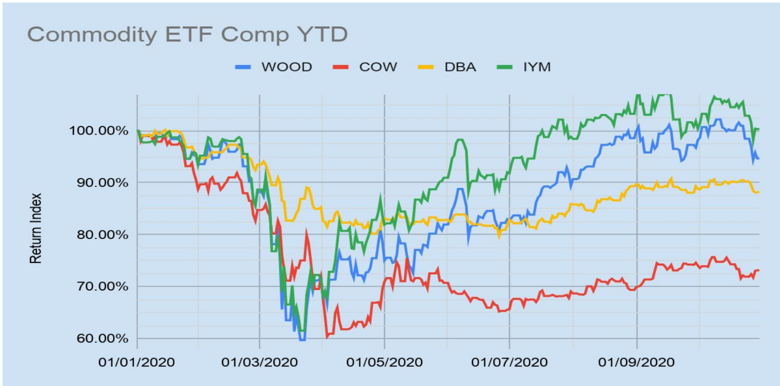
Base metals outperformed precious metals this month with the Chinese economy performing well over this period. With all the potential infrastructure spending that may happen around the world we feel that these should perform well over the course of next year. Gold and silver were flt to slightly down moving in line with the USD as this appreciated over the course of this month. Gold is still a core holding for us moving forward.

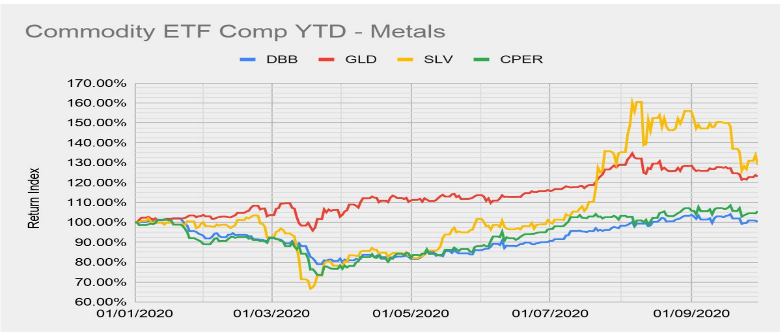
Volatility is very elevated in markets at the moment and we advise that you take your risk exposure down to a level that you are comfortable with.



The energy complex still demonstrates the lack of demand in the global system for energy and therefore gives us a very good idea of where we really are in the recovery process. Although there is a huge move to ESG investing that is underway, this will not happen overnight and as we have mentioned the energy density of oil makes it a very difficult resource to replace without a large rise in the price of energy. We feel that there will be value in this sector moving forward but we advise to hold fire for now and wait and watch for opportunities.

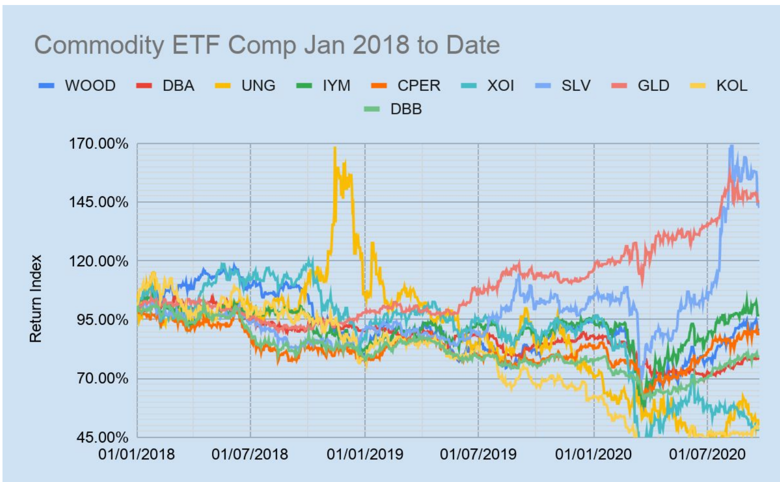
.Wood and basic metals are just below flat on the YTD, but may be rolling over here. Agriculture and meat are lower on the year same as the energy sector. So we see nothing here to suggest that the recovery is as solid as the media portray it to be. The central banks and governments have just been filling in holes so far and there are more holes to fill in. Until the virus is under control it will be difficult for any kind of recovery to take place.





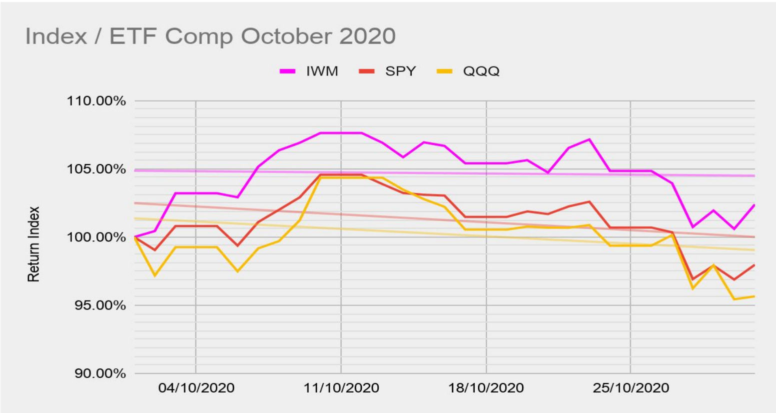
Precious metals are still leading the way this year, but copper and base metals have recovered to their starting levels. With the amount of government investment that is promised we would look to copper as usual to give us indications as to future events. Gold miners have good balance sheets moving forward and we would look to add these on any pullbacks. We also like silver on pullbacks.

Gold and silver lead this chart as monetary debasement continues, but as it continues we believe that the other commodities will start to play catch up. The timing of this is quite difficult but we believe that investors should be aware of this and start to add positions when they feel.Immediately we still see too many deflationary pressures around for this to occur quickly but think that it is bound to happen as governments and central banks continue to add stimulus. Commodities appear to be cheap at these levels .



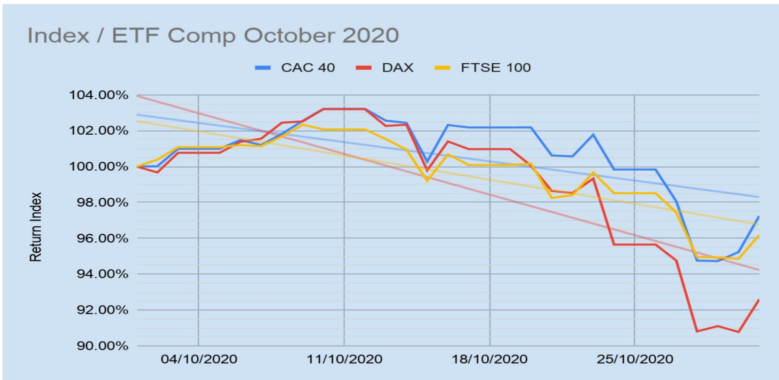
Stock Indexes

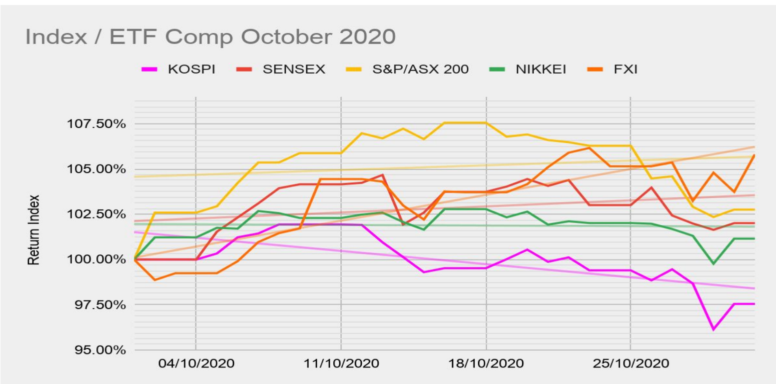
These are the local indexes of varying countries reflecting the value of the companies quoted on them, importantly in their local currency. We must always bear in mind the Index performance and the currency performance against other localities. Investing is a relative game and we like to show comparative charts to identify this and point out the opportunity cost of choosing one investment above another. For risk aspects we prefer developed markets, and prefer to enter smaller markets via investment vehicles that are located in developed markets. Liquidity can be an issue.



US markets saw a small sell off from mid month onwards with the IWM being the best performer over the month, reflecting the rotation to value narrative which at present is quite strong. The Nasdaq was the worst performer over the month with investors booking profits and reducing risk heading into the US election. SPY s were slightly down on the month, led by the tech sector weighting. US elections and the course of the virus will give fresh indications for the market from here.

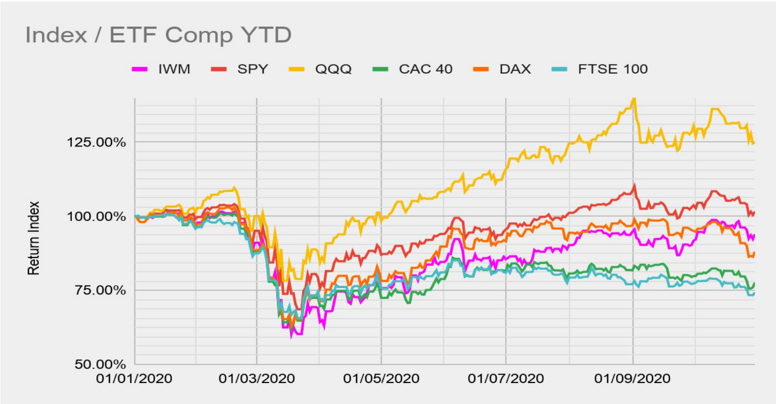
Europe was down this month and with the resurgence of the virus and further lockdowns coming it seems that they shall have a tough winter. The ECB has decided to wait until their December meeting to take action and the recovery fund will not be implemented until probably spring time next year at the earliest. The structural issues of Europe have not gone away and will hinder their recovery moving forward.





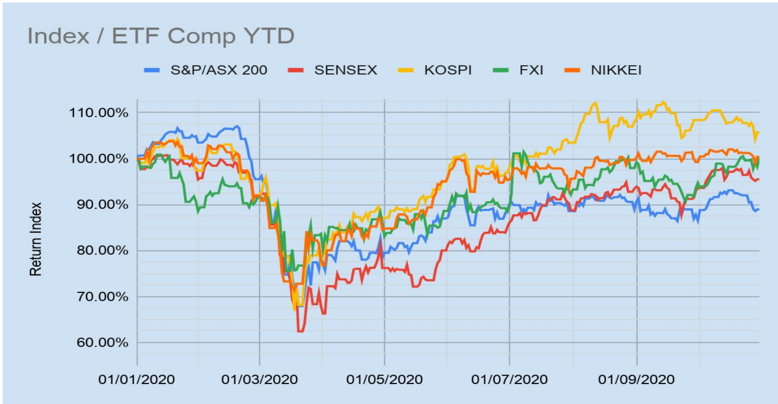
Global markets having fared better this month generally reflect their handling of the virus, China has done well and the economy is showing signs of life. However as Europe and the US struggle to contain the virus this may weigh on the progress of China over the immediate future. They will need their domestic economy to pick up more to continue their recovery. More fiscal support may be required initially for this to continue, but they are ahead in recovery terms.

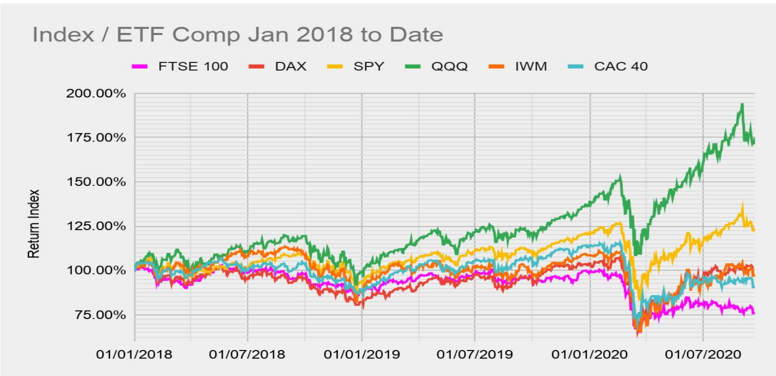
To see where we are now in comparison to where we were before the virus let us look at charts from the beginning of the year.



The momentum of the recovery seems to be fading from European and US markets, and with no stimulus actively supporting economies at present unless there can be some introduced quickly we could witness the further decline of markets. Insolvency issues will become a larger issue if incomes are impaired further over the coming months. US markets have proven to be more resilient than their European counterparts. We think that this trend will continue into the future.

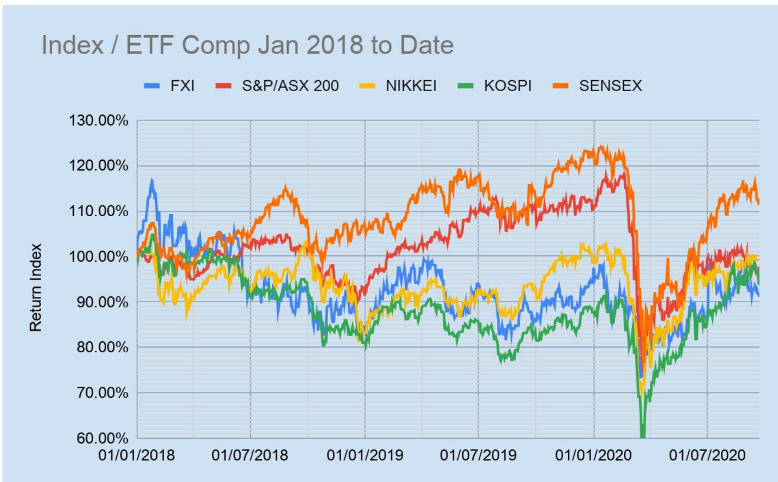
The virus and how the globe deals with it shall guide the markets even those that are doing individually good jobs are reliant on other countries and regions for their economic development.Far eastern markets seem to have coped better with than their western counterparts, however there are still reliant on these markets and if the western world has a bad winter this will slow their recoveries. We do at present favour China, Korea and Japan. India does represent selective opportunities.



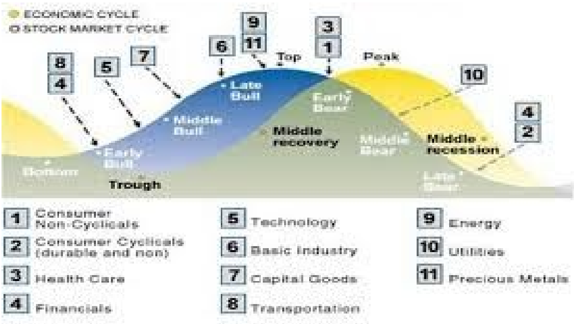


This chart continues to show that US markets over the last few years have been the place to be invested even though they have pulled back recently. Moving forward we still see structural issues in Europe and the UK has its own challenges dealing with its future as a separate country and trying to solidify its place in the modern world. We still favour US markets above Europe as we think they shall be quicker out of this recession.

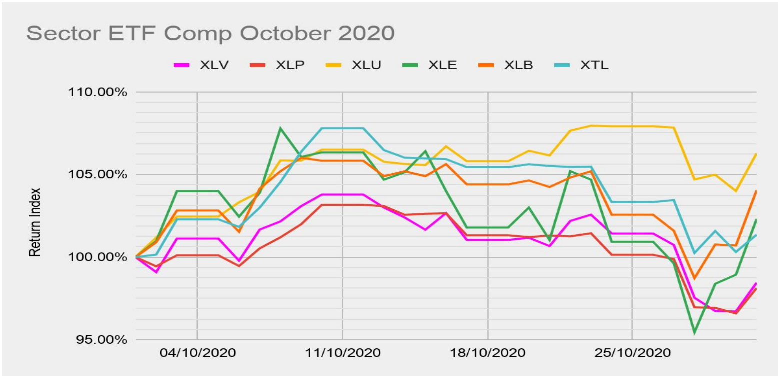
We feel these markets are well positioned to move ahead over the next year or so as they seem to have dealt with the pandemic more effectively than their western compatriotes. The strength or weakness of the USD will have an effect on how well they perform relative to the US. How the western world deals with the virus from here on in shall affect the pace of recovery in these countries but we would still pick them to outperform both the UK and Europe. Our preference at present is for China and Japan.



Sectors

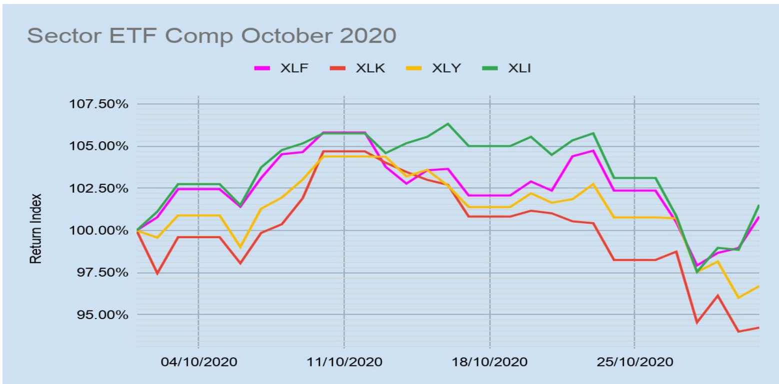


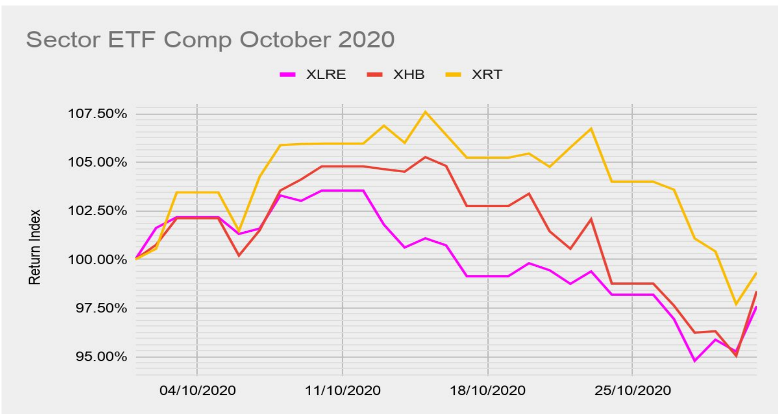
We use sectors to place stocks and other investments into categories such as technology, healthcare, energy, utilities and telecommunications. The different sectors have diverse risk profiles and perform at varying degrees throughout the business cycle. Here we shall contrast and compare the performance of the different sectors over time to help our understanding of their relative virtues with the target of augmenting our investment returns over time. We generally use US markets as these are the largest and most liquid.



Healthcare and consumer staples slightly down on the month with the others seeing appreciation. Utilities led to the upside this month showing the defensive nature of the markets this month. We would still favour XLU moving forward over the winter months along with XLP. We feel that the next few months will see a slowdown in the recovery with stimulus running out and no new scheduled until next year and the virus rising again.

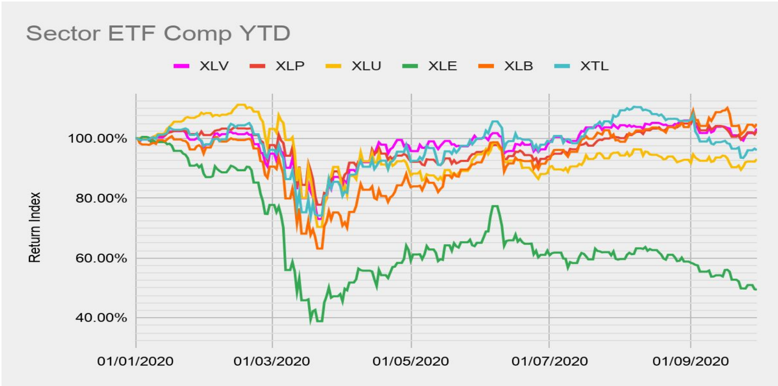
Again this month Tech was the worst performer of this group, as people reduced risk going into the US election. Financials were flat on the month but we do see them continuing to struggle in the future as we do not see the reflation narrative playing out and think that the yield curve will remain flat. If the FED cannot continue to bolster the trading revenues of the banks we could see a reasonable drawdown in this sector. Tech we would look to add to in Q2 next year.





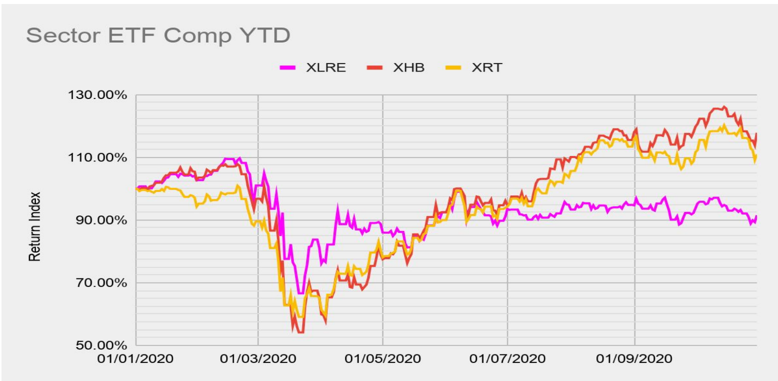
XRT may roll over as the stimulus peters out, we still like real estate but quite selectively for the moment. Homebuilders we are still long term bullish on but think that there may be better opportunities in the short term. All of these sectors were fairly flat on the month and apart from the retail sector we do not see any great movements over the coming month. We still see rates being lower for longer and favour an asset allocation that is suitable to that environment.

Taking a look from a wider perspective with respect to time, with rates staying low and the virus hitting hard we see the recovery faltering and slowing . The recovery also we feel will take longer than most believe.



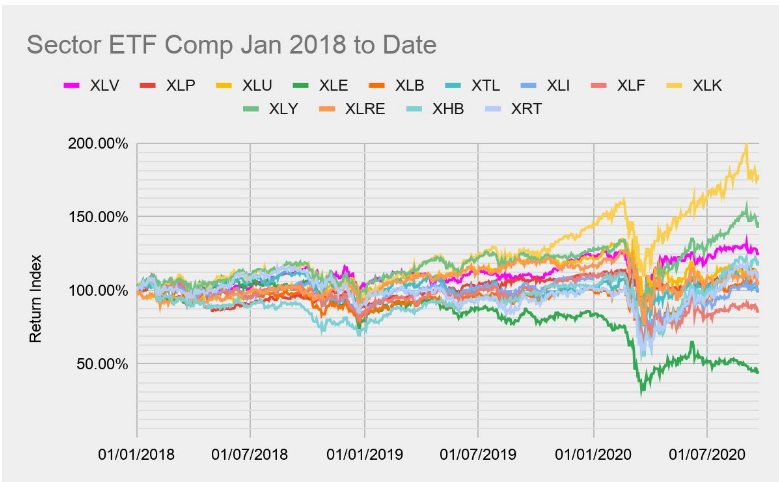
The energy sector has been decimated this year so far, and it appears is heading back down to its March lows. Logic states that if there was a sharp recovery taking place this would not be the case. All the other sectors here are around where they started the year. Oil is a very large part of the inflation equation in our modern economy and this picture reinforces our view that the reflation narrative is somewhat misguided. If energy continues to fall we will look to go long.

Tech and Consumer Discretionary i.e Amazon have been the outperformers by a long way so far this year. Although they may see a pullback over the next couple of months in the medium term we still remain bullish on these sectors. Financials are the laggard in this group, and only beaten on the downside by the energy sector YTD. With our view of rates being lower for longer we do not see any opportunities in the financials except maybe on the short side. Industrials we are neutral on.



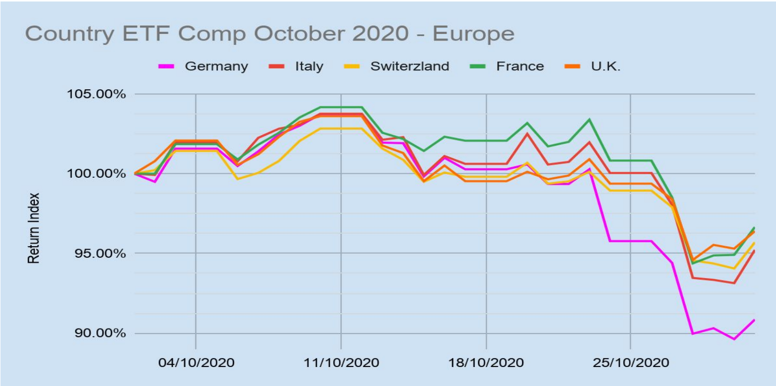
Here real estate has lagged over the course of this year and with lots of solvency issues still around in the markets, with no great clarity about how these will be resolved it is understandable. But with the FED buying up so many MBS we think they deem the real estate market much like the stock market and will not let it fall to any great extent. This may mean that there are some good income opportunities in this sector for the future.

In the longer time frame we can clearly see the winners and losers over the last 3 years. Since the March collapse it seems that these divergences have just become more exaggerated. One the US election is over we shall be able to have more clarity on the policy over the next 4 years and then overlay this onto the current economic situation to formulate a medium term investment strategy. QE shall continue in the meantime with the lack of fiscal response and this means we shall stay in a low rate environment.



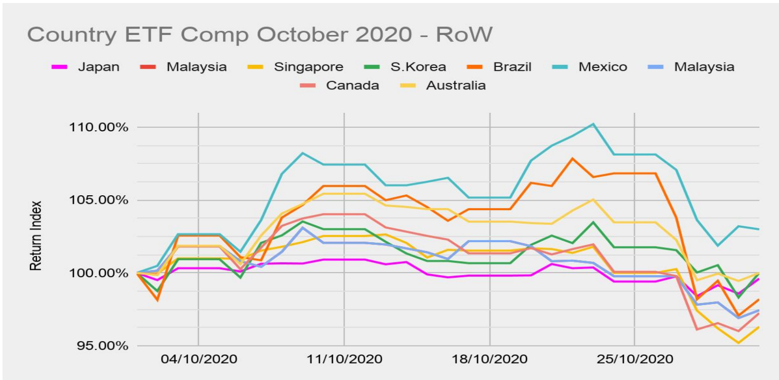
Geographic

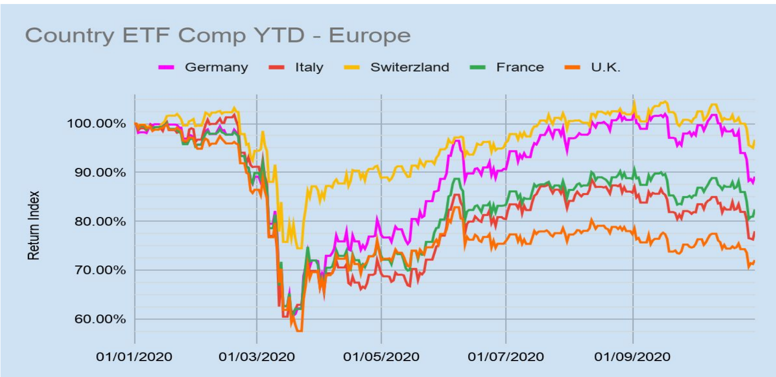
Certain countries or regions around the world will be experiencing different economic circumstances at any given time, usually. Therefore it is important to access these differences and utilise them in order to create greater returns on your capital. In this section we shall look at a range of ETFs, all quoted in USD covering varying countries around the world and look to analyse their differing performances and where they are in the economic cycle so that we may look to add value to our investment decisions



Not a good month for European equities, as the economy continued its slowdown and the virus picked up going into the winter season. Germany, Europe's largest economy, was the worst performer this month and with stimulus slow to come and the ECB waiting until December's meeting to take action things could get worse. UK is also not performing well, the virus has spiked again and there is another lockdown the BOE and Govt. are working together.

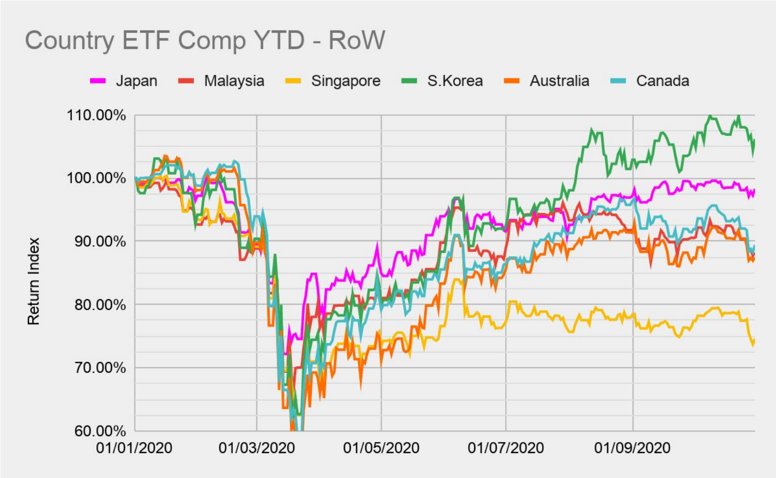
The rest of the world shown here performed better this month than Europe, as they seem to have handled the virus more effectively than Europe whether this be by luck or judgement we leave that to you. Many of these economies are well placed to continue their recoveries and of these listed we would favour Japan to outperform. The virus really needs to be conquered for the recovery to really take hold and persist.





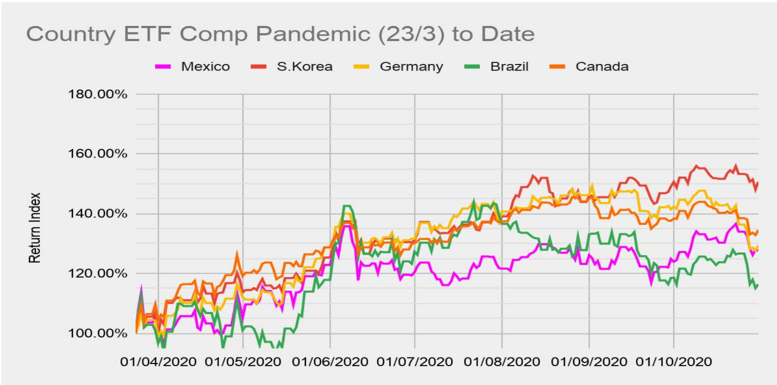
As predicted the European markets have rolled over this month and are still down on where they started the year from. We think that it is too early to look to rotate to this region as lockdowns are in place and stimulus is slow in coming. The problems will get worse over the winter period and the region will struggle to recover the ground it has lost this year. Currency is testing the upper bound against a currently weak USD.

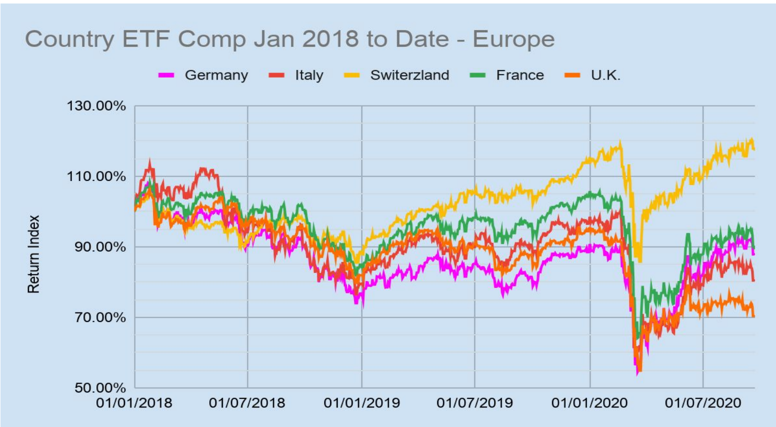
The optimism shown by the markets to Europe was misplaced as we alluded to last month and we still do not favour this region, they have too many issues to have any kind of quick fix.



South Korea and Japan lead this group YTD this may be a reflection of both how they have handled the virus and their basic economic fundamentals. Singapore has lagged but this is because of their fundamental economic situation and where they are in their cycle. We still see further underperformance from them for the immediate future. The Australian economy seems now to be well positioned to continue their recovery although there are better opportunities out there. South Korea is also a market that we like from here on in.

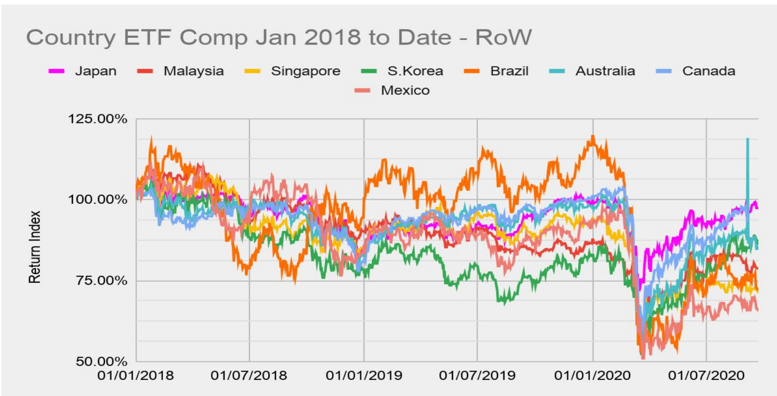
From the pandemic bottom we clearly see how economies have recovered so far, and then slowly started to level off and some of them are now starting to rollover. Mexico's fate will probably be closely linked to the future of the US through their locality and trade connections. S. Korea has been the strongest to date and we feel that as long as the virus does not reemerge, they should be able to forge ahead with their recovery. Brazil continues to struggle.





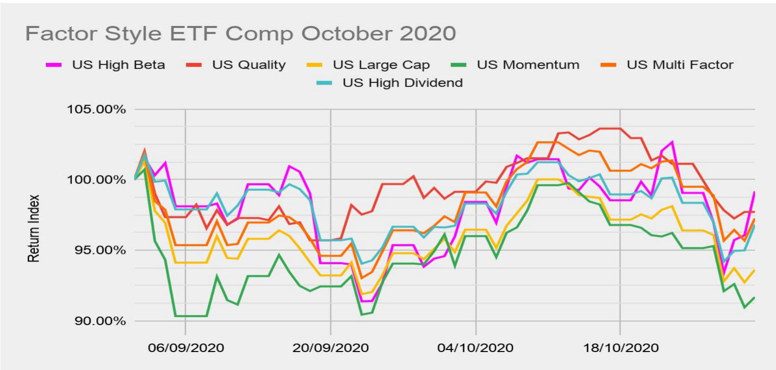
Over the longer run we can still see that the Swiss have been the outperformer in Europe since late 2018.They are the only market here charted that has made any gains since the start of 2018. The UK has been the underperformer here with the Brexit debacle hanging over them. They have now launched into full blown MMT and this may be a hindrance for them to be able to come out of the other side of this rapidly. They also have an old economy that will need to evolve quickly.

Not a great performance by any of these countries going back to January 2018. Japan is at the top but is still only back to where it started, and these guys have been QE ing and QQE ing for a long time. We feel that this shows that the central banks have been trying to extend the cycle and are struggling to get any real growth. Whether they can continue this is debatable and we watch and wait to see the outcome. The global monetary system has issues.



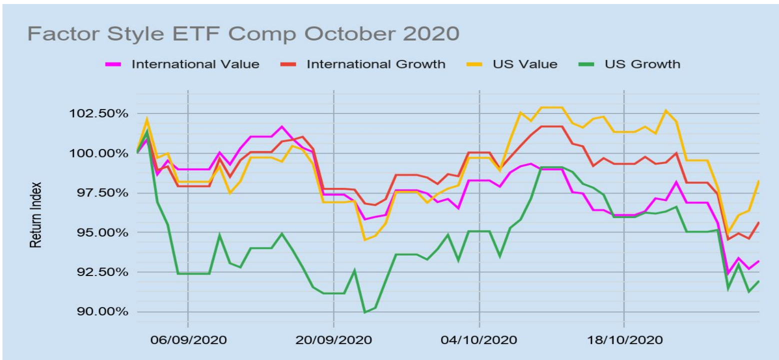
Factor Styles

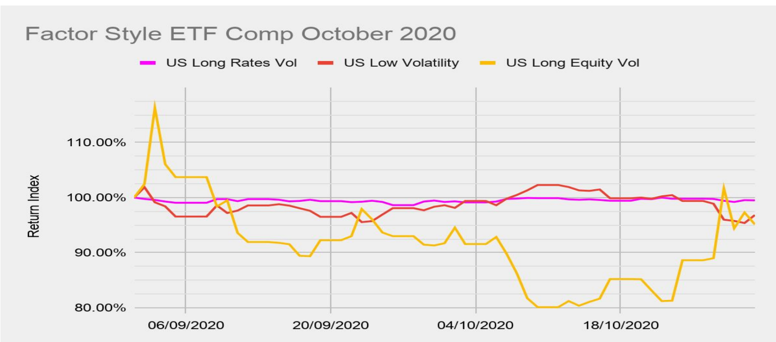
Factor investing is a strategy that chooses securities on attributes that are associated with higher returns. There are two main types of factors that have driven returns of stocks, bonds, and other factors: macroeconomic factors and style factors. The former captures broad risks across asset classes while the latter aims to explain returns and risks within asset classes. Macroeconomic factors include: the rate of inflation; GDP growth; and the unemployment rate. Microeconomic factors include: a company's credit; its share liquidity; and stock price volatility. Style factors encompass growth versus value stocks; market capitalization; and industry sector.



US markets across all styles were slightly down on the month with high dividends lagging the rest. High beta leads the way with quality close behind. The quality trade still makes sense in this environment with so much uncertainty still ahead and balance sheet strength becoming more important as the next few months will prove to be a difficult time with the virus growing again. Insolvencies will likely rise from here.

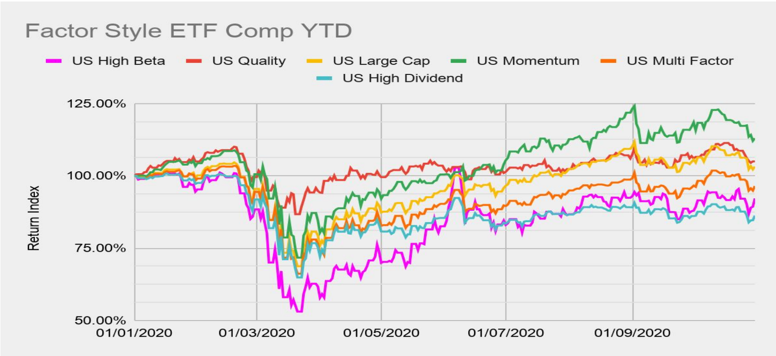
This month saw more mention of the redeploy to value narrative, value outperforming growth in the US by quite a margin. The international story still struggled this month and we just do not see this changing in respect to Europe. The far east is looking more promising as they seem to have the virus under more control and their economies are moving in the right direction. China at present is our preferred play.





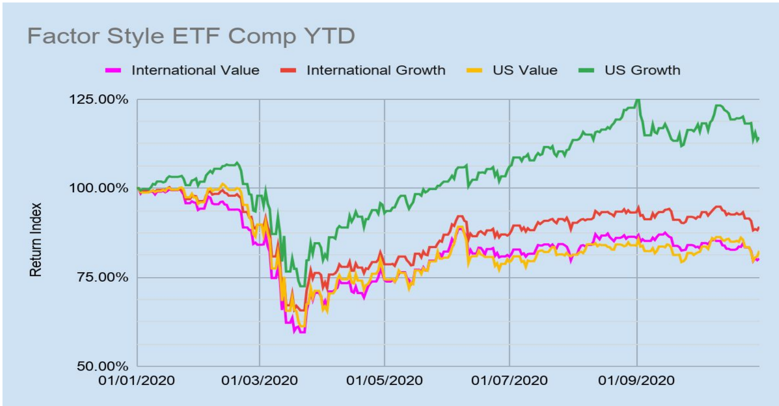
All these factors over the course of the month were pretty even with a fair amount of equity volatility during the course of the month. Volatility across the bard is elevated at present due to the US election and we should see this fall off once this event risk has passed. However how long this will take is up for grabs as we feel it will be closer than the polls are indicating.

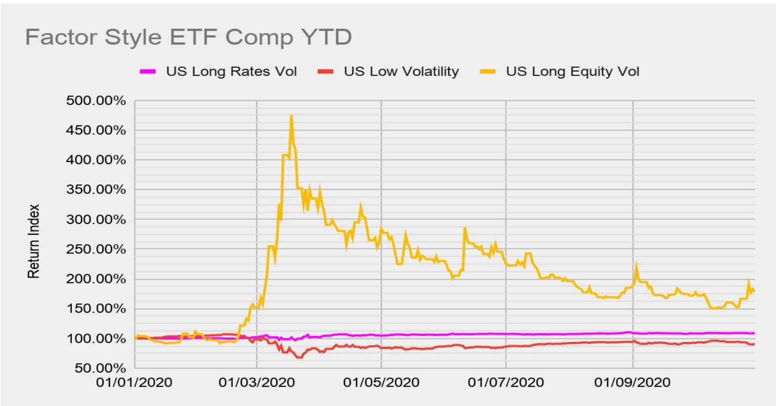
The rotation trade is still around the markets but we feel it is still too early to make this call with some many uncertainties still out there.



This shows a slowing and tail off of all factor styles heading into the US elections. Momentum and quality are still the strongest performers and we really cannot see a reason for this to change in the immediate future. Once the US elections are out of the way and there is more clarity on policy and how much stimulus will be available and in what form it will come, then we will be better able to make forward looking assessments.

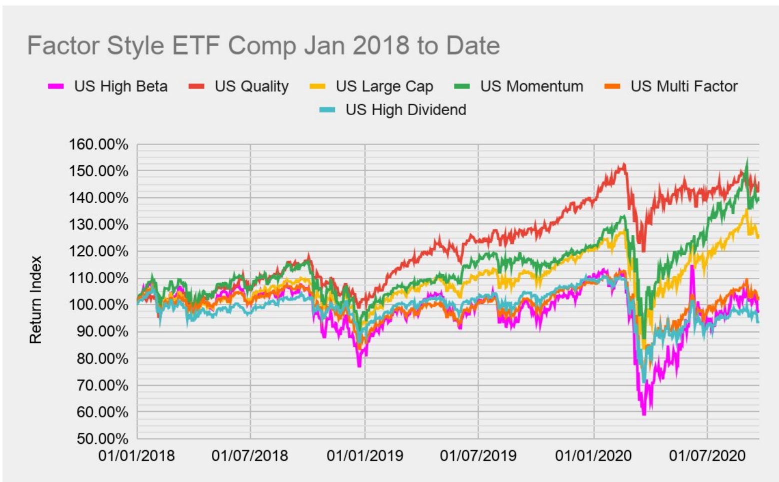
Not much to say on this graph really, it shouts for itself. At some point it will be wise to switch some allocation to value but not for the moment. Europe has lots of old fashioned companies operating in sectors that do not have great growth potential from here and there will need to be a big structural overhaul of their whole system, This makes us favour the US markets still and emerging markets above Europe. There are no doubt some individuals plays in Europe, but not in general.

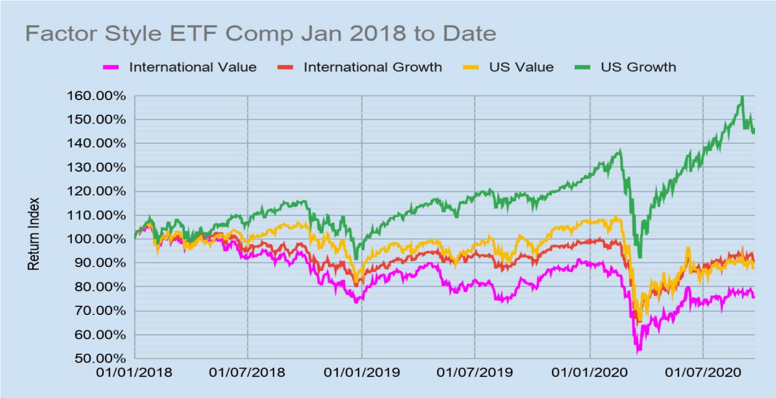




Equity volatility still remains elevated as one would suspect with the election still to come. This has provided the best protection over the course of this year. Volatility often spikes and is random so executing a long volatility strategy can be very rewarding but also costly in low volatility regimes. To hedge a portfolio it is certainly a very effective tool when executed properly. To time volatility is very difficult but not impossible, it does not materialize from nowhere there are signs within the market.

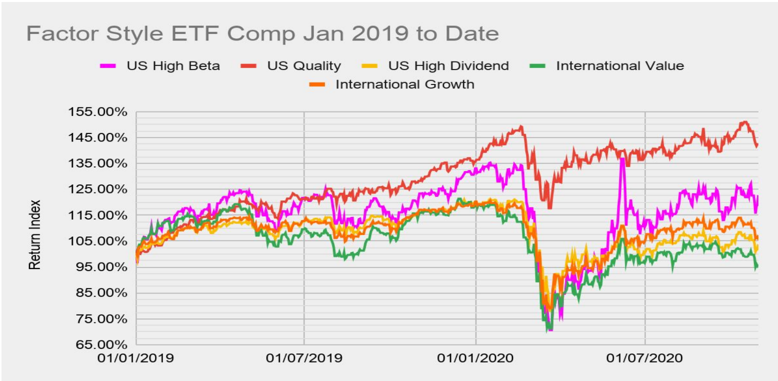
Quality, momentum and large cap lead the way over the last 3 years although they appear to be stalling out at these levels. The other factor styles have to date yet to recover their starting levels from January 2018. With growth still being an issue moving forward the returns in the future from equities are by no means assured and we need to assess where to deploy capital carefully. Although we all search for yield the high dividend style factor has been the worst performing of the last 3 years so one must assess the income derived against capital underperformance.

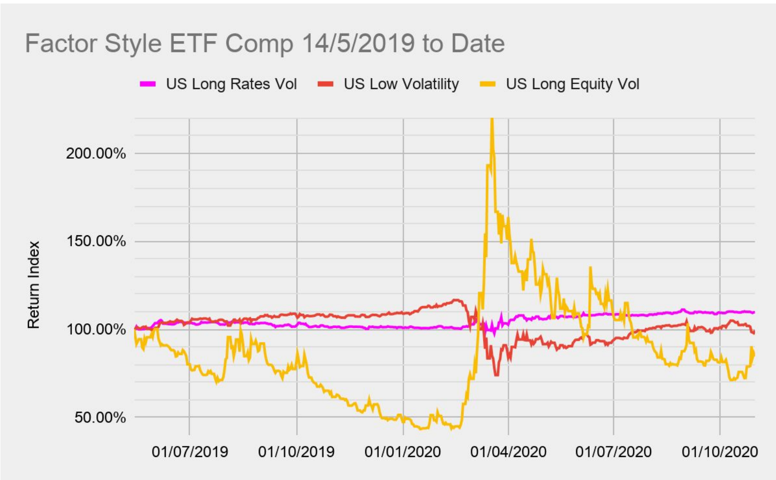




Over the last 3 years the outperformance of US growth has been exceptional and of these factor styles the only one that has produced a positive return. We do not see in the near future any reason for this to turn around, It has consistently been the top performer over this period. Although there has been a pullback going into the election, with investors booking profits we would look for this trend to continue especially if there is a divided government in the US.

This chart demonstrates from the last big market drawdown in December 2018 that the US has still been the market to be invested in. Europe struggles continually with structural challenges that persist and do not seem to have any quick fix that politicians are willing to implement. Factor styles will define your outperformance but being invested in the right region will greatly aid your overall performance. Emerging markets may present chances as well.





Long equity strategies with standard products do have a notable carry cost and this must be taken into account. But this said long volatility certainly gives you protection against drawdowns, but is a very active market and timing this can be immensely difficult. We do like the IVOL product as it gives inflation protection for a portfolio and does not have a huge carry cost. We believe that returns over the next few years may be lower than many people's expectations and only an active policy will present opportunities for alpha generation.

Summary : October saw a fair amount of volatility across markets as we headed into the US elections. US yields rose throughout the month as the higher rates narrative took hold as people predicted a blue wave in the election. The positioning in the bond market is now very stretched (4 sigma) and we feel that this will be forced to unwind over the coming months as investors realise that there is no inflation coming in the immediate future. The current market narrative is for a falling USD and positioning in this is also quite stretched, even though it has reduced over the course of this month. We still fear that the USD will remain strong especially as international trade picks up and the requirement for USD payments increases driving the demand for USD internationally. For the moment the DXY is stuck in a range of 92 to 94 and any breakout of this could be significant. The USD more generally has risen against around 90 currencies so far this year, and as we mentioned as the demand internationally starts to increase for USD payments we can see the USD strengthening across the board. Emerging markets appear to be well placed to recover, as they have coped better it seems than many western countries. The US election outcome will be important to frame policy for many aspects of the global economy.

Investing: Passive & Active

Active- This as the word suggests involves a money manager on a regular basis analysing, assessing and making decisions on markets. policies, companies and general economic circumstances.

Passive- This involves investment based on flows, so money in, gets invested, and withdrawals lead to sales of assets to reimburse the investor. There is no assessment of the assets they are simply bought when money comes in.

From statistics we see that the older generations have a preference for active styles and younger generations favour passive styles and products.

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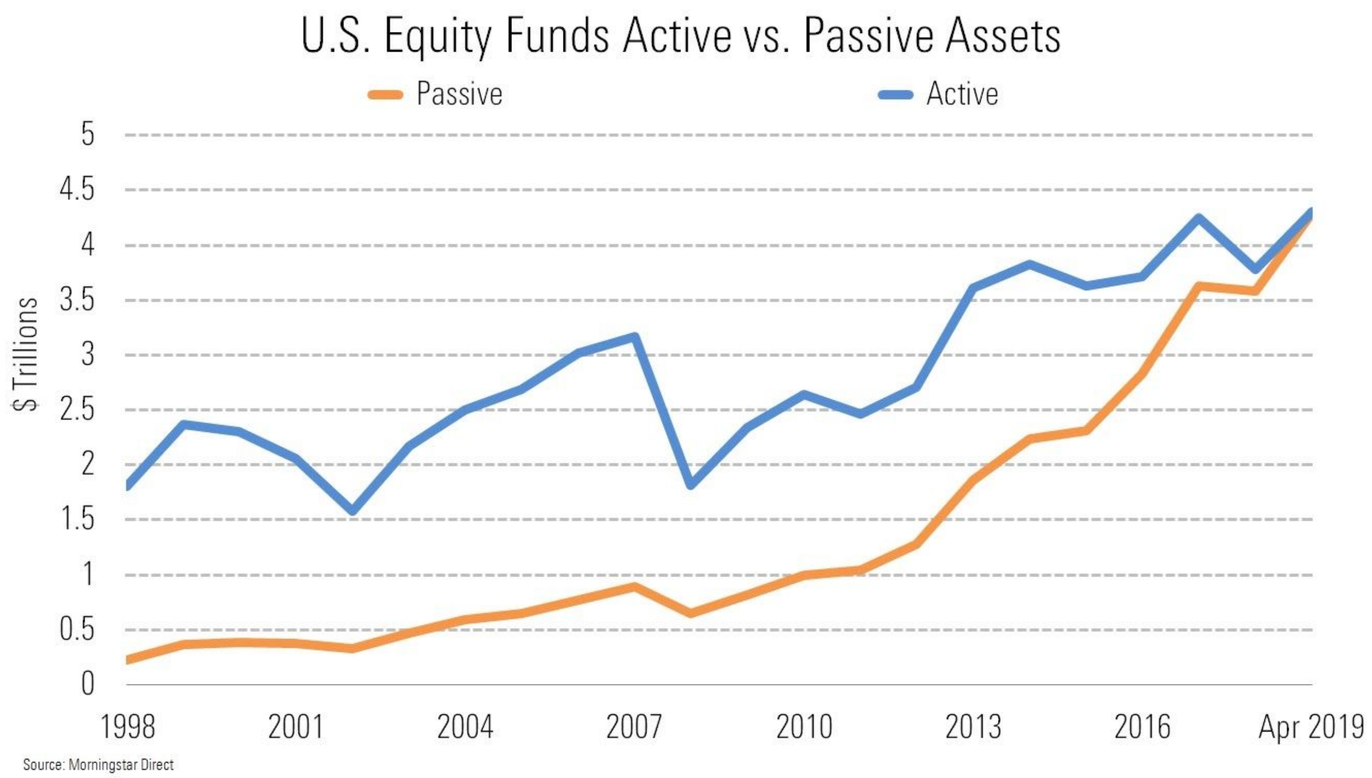

.The benefits of passive investing are front and foremost the cost the investor needs to pay as the passive funds are a fraction of many active products. There are now many passive products available, the best known probably being the SPY which buys and tracks the performance of the S&P 500 index. The rise of passive funds seems to be relentless and in the years to come they will be the predominant type of investing into markets as at present younger people favour this methodology.
This method could potentially cause a large structural problem for the market. As there is no assessment of the assets to be bought, it is just an automatic money comes in; buy the assets. Whether an underlying asset is highly priced does not matter it is just bought. So the amount of buying is solely dependent on the inflows.

The issue will come when for whatever reason the outflows are larger than the inflows and the underlying assets need to be sold. If the passive method is the main buyer, turned seller, who is the only buyer left; the active buyer. This buyer however does use an assessment process before buying an underlying asset. Therefore if in their process the asset is deemed to be overpriced then the active method will not want to buy at the current market level. The market will have to fall in price before the active buyer will be interested in owning the asset. This can lead to wild price swings/ volatility in markets as there is no real liquidity left in the marketplace.

This table shows the largest intraday point swings since 1967.

Rank	Date	Close	Day High	Day Low	Point Swing	Net Change
1	2020-03-13	2,711.02	2,711.33	2,492.37	218.96	+230.38
2	2020-03-17	2,529.19	2,553.93	2,367.04	186.89	+143.06
3	2020-03-12	2,480.64	2,660.95	2,478.86	182.09	−260.74
4	2020-03-16	2,386.13	2,562.98	2,380.94	182.04	−324.89
5	2020-03-18	2,398.10	2,453.57	2,280.52	173.05	−131.09
6	2020-03-25	2,475.56	2,571.42	2,407.53	163.89	+28.23
7	2020-03-03	3,003.37	3,136.72	2,976.63	160.09	−86.86
8	2020-03-20	2,304.92	2,453.01	2,295.56	157.45	−104.34
9	2020-03-10	2,882.23	2,882.59	2,734.00	148.59	+135.67
10	2020-03-19	2,409.39	2,466.97	2,319.78	147.19	+11.29
11	2020-03-02	3,090.23	3,090.96	2,945.19	145.77	+136.01
12	2020-03-26	2,630.07	2,637.01	2,500.72	136.29	+154.51
13	2020-03-09	2,746.56	2,863.89	2,734.43	129.46	−225.81
14	2020-02-25	3,128.21	3,246.99	3,118.77	128.22	−97.68
15	2018-02-05	2,648.94	2,763.39	2,638.17	125.22	−113.19
16	2020-06-11	3,002.10	3,123.53	2,999.49	124.04	−188.04
17	2020-02-27	2,978.76	3,097.07	2,977.39	119.68	−137.63
18	2020-03-11	2,741.38	2,825.60	2,707.22	118.38	−140.85
19	2000-04-04	1,494.73	1,526.45	1,416.41	110.04	−11.24
20	2020-03-23	2,237.40	2,300.73	2,191.86	108.87	−67.52

As passive becomes a larger part of the market we can expect that volatility will increase, as when the passive funds need to sell there will be less and less buyers for these transactions and as the passive has to sell it becomes price insensitive just as it is when buying in the first place. This is not good for the passive investor and can present great opportunities for active investors. To take this to the extreme if the whole market was passive and one day needed to sell the price could literally go to zero as there would be no buyers; food for thought.

Value Investing - The current narrative around the markets is that it may be time to switch from growth investing to value investing as the performance of value has so badly underperformed that it must be now time to make the rotation.

The basis of value investing is to buy when an asset is cheap and to sell when the asset becomes expensive. This is effectively like selling a put at a strike below the current price where you think the asset becomes cheap and you would be happy to own it. As well as selling a call at a price above the market where you think it has become expensive and you would be happy to sell. So you have basically sold a put and a call around the price of the asset (a strangle in option terms) and you are not short of volatility. So value investing can be said to be a short volatility strategy.
In a time where we have higher volatility and may expect with the increase of passive investing the amount of volatility to increase in the future we would like to point out that this may not be the best strategy to implement going forward. There will always be good trades available but one must think in bigger terms if one is to successfully invest. In a volatile market value investing may not be the best strategy to follow.
The virus and more importantly governments reactions to the virus will be important over the coming months. Balance sheets both personal and corporate have been damaged by these events as income has be impaired all over. The winners will be the ones who can repair their balance sheets, some will not make this journey and how governments react to that will be important.

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Once again thank you for your time and see you again next month.

Ortega Capital Management Ltd
Suite 602, 6th Floor Hennessy Tower.
Pope Hennessy Street
Port Louis

T : (230) 606 3771
E : info@toiip.com
W : www.toiip.com
BRN : C123387