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September Effect

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As expected, September has kept its reputation for being historically the worst month of the year for stock markets – despite the continuous buying the dip mentality. Markets traded down on the back of the Evergrande looming liquidity crisis, prospects of global growth slowdown due to continued supply chain disruptions, renewed fears of the delta variant and finally a global energy crunch.

One of the main themes this month was the gas shortage facing the world. Fears started first in Europe due to the historically low levels of European storage facilities inventories as we are entering the winter season. Gas flowing in the pipelines from Russia and Norway has been limited, at the same time calm weather have reduced the output from wind turbines and the Europe nuclear plants are either being phased out or more prone to outages. It seems like that in the process of trying to achieve carbon neutrality goals, we have become more reliant on natural gas as many countries are stopping the use of coal and increasing the use of cleaner energy sources, and this winter we are going to find out just how important natural gas is for the global economy.

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	Level
Euro Stoxx 50	4,098.34
S&P 500	4,363.55
Nekkei 225	27,678.21
WTI Crude	78.30
Natural Gas	5.68
Spot Gold	1,755.78

Data as of 07.10.2021

We are participating to the potential upside coming from the energy crunch by holding TotalEnergie, our biggest single position in the European Value portfolio. The company is not only positively impacted by the current market conditions, but also aims to increase its installed renewable energy capacity to 100 GW by 2030 (10x from 2021) by ramping up its investments in renewables, allocating half of its Capex program towards it, while the other half will be invested towards natural gas especially LNG.

Luxury goods is another industry that we are following closely after it was hammered down by news of the Chinese common prosperity policy which threatens to hurt the high-end consumption in China "The Luxury sector growth engine". We continue to increase our cash position and prepare to seize opportunities resulting from any market correction.