US elections and coronavirus more promising than expected
Significant dividends from political change and research reflected in the markets

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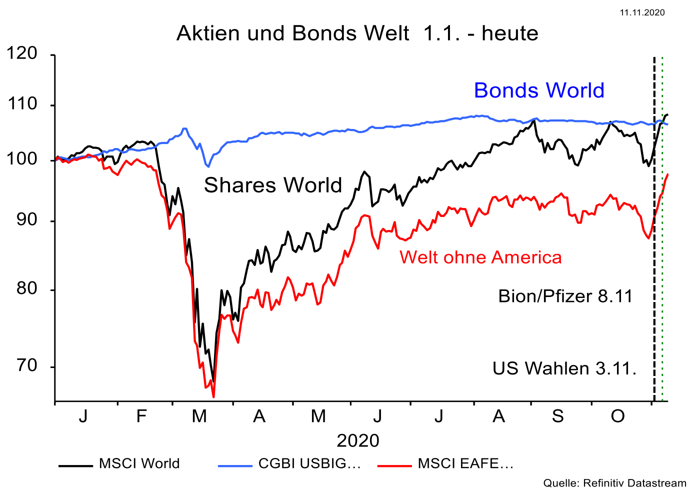
The US elections have taken an extremely positive turn for stockholders. Joe Biden was able to win several swing states. The results are no longer seriously in question. However, his support in congress is at a bare minimum. The Democrats managed to maintain their majority in the House of Representatives, though it was reduced to just a few seats. In the Senate, they may well remain in the minority. The best-case scenario would be for a 50/50 result, with the Vice-President then deciding tied results. We will know the results definitively in January. The last time a Democratic President started their term without a majority in both chambers was 140 years ago. Governing will be hard. However, the markets accepted this result with euphoria. All the polling institutions predicted a clear Democratic win. In this result, then, the markets have been provided with perhaps the best of all conceivable scenarios. First and foremost, we can expect Biden to consign the Trump approach, namely, the "winner/loser" model, to the past. Biden prefers the classic "win/win approach", based on compromise between competing interests rather than the reckless exploitation of asymmetries of power that was raised up as the guiding principle of the "America First" paradigm. This should significantly improve the transatlantic relationship. This not only applies in terms of security, but also in trade, the economy and the environment. In particular, the threatened tariffs on European cars may well be off the table. The situation could be harder for the British, however. Biden is a supporter of the European Union. He considers Brexit a step backwards, both for the Europeans and the United Kingdom itself. He will certainly not sign off on any free-trade deal that threatens the Good Friday agreement in Northern Ireland or undermines the Common Market. Switzerland's special path may also be met with other than approbation.

What has given the markets particular impetus, however, is the fact that the new President will hardly be able to pass the Democrats' wide-ranging proposals through the Senate. These essentially involve a transfer of responsibility from the private to the public sector and top-down redistribution. This goes for health, environmental and tax policy. The legislation with the best chance of passing is the long-discussed economic recovery plan, by which it is intended to compensate for the COVID slump. The long-due infrastructure programme may well also be addressed.



Overall, the US elections have led to worldwide relief. The outlook for international collaboration has markedly improved. A large share of the dividends from this "cultural shift" have already been incorporated in the stock markets. The remainder may well follow.

A month ago, we mentioned an upcoming research dividend that might arise because of coronavirus vaccine developments. This has occurred sooner than expected. With the announcement of successful test results for the Bion/Pfizer vaccine, the stocks that had been hammered by COVID leapt skywards. The results still need scientific confirmation, but the perspectives are highly promising. The medium-term economic outlook is now significantly rosier.

In the short term, the pandemic still has us in its clutches. Both in Europe and the USA, the number of new infections is still rising exponentially. Further lockdowns are probably unavoidable. It could take until autumn or winter 2021 before sufficient vaccine is available worldwide. And then only if everything goes to plan.

Overall, however, we have taken this positive turning point as an opportunity to raise the slightly underweighted stocks to a neutral position. Bonds, however, remain underweighted.

You can find the details of asset allocation for the remainder of the year in the following table.

Strategic and tactical Asset Allocation

	Reference Currency CHF			Reference Currency EUR		
	Investment strategy Balanced			Investment strategy Balanced		
	SA	IC	C	SA	IC	C
Investment categories						
Money Market	**5**	**10**	**-4**	**5**	**10**	**-4**
Bonds	**40**	**35**		**40**	**38**	
Home Country	24	23		23	23	
Rest of Europe	8	6		5	3	
USA	4	3		8	8	
Rest of World	4	3		4	4	
Stocks and shares	**45**	**45**	**+4**	**45**	**41**	**+4**
Home Country	9	9	+1	15	12	+1
Rest of Europe	11	12	+2	6	5	+2
USA	12	11		15	11	
Rest of World	13	13	+1	9	13	+1
Alternative investments	**10**	**10**		**10**	**11**	
Commodities	4	4		4	4	
Various	6	6		6	7	
Total	**100**	**100**		**100**	**100**	

SA = Strategische Asset Allocation IC= Investment Committee C = Change