

## Waiting for a new bull market

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What is the difference between a bear market rally and the start of a new bull market in the Coronavirus era? The question becomes insidious after the panic of March and the apprehensive euphoria of April. The first quarter of 2020 probably ended that upward movement that began in 2009 following the sub-prime crisis in the United States. The climb was basically driven by central banks. To the debt crisis, which threatened to drag the world into deflation, Ben Bernanke and Janet Yellen responded by inflating financial assets, flooding the world with liquidity. In the first part of the crisis, they were helped by China. The imbalance that had caused the Great Crisis also carried within itself the elements of its solution. The United States went into debt to buy cheap Chinese products. China was accumulating savings that largely served to finance Washington's deficit, allowing Americans to live beyond their capabilities. These imbalances allowed China to use the accumulated resources to relaunch its domestic market, allowing world demand to restart, along the lines dictated by a powerful G20 in 2009. The Federal

Reserve, along with the world's leading credit institutions, for its part, gave fuel to demand. This phase of growth was coming to an end with the Obama presidency. But Trump, using tax leverage, managed to prolong it. Then, the US Central Bank's attempt to return to normal, Trump's fiscal stimulus exhausted and the Sino-US trade challenge created the conditions for the 2018 financial asset crisis. In 2019, the central banks decided to reopen the liquidity taps and Trump reached an initial trade agreement with China. Without the Coronavirus, the 10-year bull market would have been sustained, albeit in high multiples, at least until the US presidential election.

The Coronavirus interrupted the climb by freezing the economy on both the supply and demand sides. Once again, the intervention of the central banks saves the financial system and calms the panic. From March lows the world's flagship stock exchange, the S&P, recovers 30%. The algorithms that had dragged it down were quick to change direction. But in the roar of the descent and the uncertainty of the climb the trends present before the

pandemic have powerfully returned to occupy the scene. The digitization of the world has been strengthened: Amazon, Apple, Microsoft & Company, newcomers like Zoom, have dragged the movement. While the energetic transformation strengthens the sense of direction: the virus is the expression of a globalization that, at least for some time, has contributed to de-carbonize the world. Oil and energy stocks have suffered, signaling that the transition to more sustainable production systems could be faster than expected: oil companies will soon have to become utilities. Even the automotive sector will not be able to allow everything to be resolved with Tesla. In aeronautics, France has helped its national airline, but on condition that it leaves room for the train on internal routes. Not all these transformations can come about thanks to the intervention of private sector. Strong investments in infrastructure will be necessary. In the United States the theme is bipartisan, but the Democrats will focus on the green economy, as will the German Greens. Construction has always been an obligatory starting point in any recovery. This time it will have to focus on renovations and new energy-saving

projects. It is therefore possible that, in order for this rebound to turn into a new bull market (provided that the Coronavirus allows it), the market, after the quarantine phase supported by the "slow time", will become aware of how much this crisis has changed us and, above all, see how strong the intervention of the States must be to modulate the change. The sooner it will see the signs, in a financial context made to finance the transformations free of charge (for now), the sooner a new phase of growth will start again. The summer could represent a period of constructive but also destructive volatility. Trump's geopolitics, which before was about rebalancing business for *America first*, is now clearly the field of global hegemonic affirmation in a partially de-globalized world. Trump will do everything to prevent financial flows to China, the country that first emerged from the Coronavirus emergency. The allies will have to choose: the United States or by strengthening their internal market (this applies to the European Union). There are great opportunities for Brussels, but there is not much time to decide and act.

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