The COVID-19 crisis hit the Swiss economy hard

The spread of the coronavirus is causing countries in Europe to "close" due to economic activities and daily life that is placed on hold because millions of people have to stay lock in their houses. This is extremely detrimental to the banking sector, although the authorities have taken some steps to mitigate the adverse effects.
In view of the outlook for banks, a lot depends on a) how long Covid-19's downtime lasts and b) how strongly the government responds. The first point is, of course, unknown at this point. However, we have announced many government responses across Europe: tax deferrals, debt moratorium, credit guarantees, etc. to tackle the economic impacts of Covid19.

We also saw that central banks cut interest rates, which reduced the cost of short-term loans.
Not all banks will experience the effects in the same way. Some banks are in better positions to weather this crisis than others, so when investing in this sector, you need to make a careful stock selection.

The risks are high, but we see little likelihood that shareholders will be forced to rescue the entire sector.

Switzerland is facing an unprecedented economic recession. Many governments have responded to the COVID-19 pandemic by placing significant restrictions on their societies and economies in March. This resulted in a substantial decline in world trade and demand for Swiss exports. The Swiss government has also shut down much of the country's public life, which has had a significant impact on the economy.

Although the extent of the economic downturn cannot yet be calculated accurately and the estimates are associated with considerable uncertainty, it is already evident that the COVID 19 crisis has been incredibly impactful on the Swiss economy.

When the markets collapsed in March as the coronavirus spread accelerated, the trading volume of asset managers increased as very wealthy clients reorganized their portfolios.

Credit availability for private companies and a liquid banking system is critical to face the challenges of this exceptional situation and avoid an economic crisis. The Federal Council, the Swiss National Bank ("SNB"), and the Swiss Financial Market Supervisory Authority ("FINMA") have developed a package of measures to improve liquidity supply together with Swiss banks.

Unprecedented times require unprecedented measures that have been implemented in Switzerland and worldwide. The Swiss banks have taken extensive tactical steps to ensure the successful continuation of business operations, but these measures may not be productive throughout the timeframe of this pandemic.
The Swiss State Secretary for Economic Affairs (SECO) assumes that manufacturing production will decrease by around 25% of the total economic value added when compared to 2019. If Switzerland goes into a V-shaped recession (a significant recession followed by recovery), SECO estimates a 7% decrease in GDP and an increase in the unemployment rate to 4% (from 2.3% in 2019). Whenever there is an event of a serious recession, the GDP could decrease to as much as 10%, followed by a 4.5% increase in the unemployment rate.

Just like every global financial crisis, the Covid19 shows the need for a more diversified portfolio. It is never more critical to adopt a systematic approach to equity investing than in times of market uncertainty. In times like this, systematic investment strategies help investors and financial institutions maintain sustainable profit while limiting volatility in their portfolios.

Manufacturing production will decrease by around 25%

At Blue Capital, our dMAP strategy generates medium to long term equity-like returns with substantially lower volatility, smaller drawdowns, faster drawdown recoveries, and a higher rate of positive monthly returns. The investment approach entails a dynamic management methodology designed to effectively control the downside risk of equity markets and the allocation to complementary investment strategies aimed at diversifying the systematic risk of equity markets and providing additional sources of returns, in particular during the stock market downturns.

Our dMAP strategy fairs well in the global pandemic when there are challenges in the markets, and every investor, asset manager, and financial institution is in the wheel to protect their portfolio and curb the drawdowns.

Here is a comparison of the dMAPs strategy's performance in the descent of the bags for the when analyzed together with the stock market S&P 500 index.

Performance Data

dMAP USD:		S&P500 Index:	
Total return since inception	2.30%	Total return since inception	-11.38%
Annualized volatility of monthly returns	14.11%	Annualized volatility of monthly returns	34.59%
Maximum drawdown	-5.63%	Maximum drawdown	-22.08%
Percentage of positive months	50.00%	Percentage of positive returns	25.00%

- The above performance composite is based on the returns of different investment vehicles managed according to a 15% annualized volatility target.
- The returns are calculated net of a 1% annual management fee and a 20% performance fee, above the high watermark.
- The dMAP strategy can be implemented on different investment vehicles such as managed accounts, structured products, investment funds, and with varying levels of leverage and reference currencies.
- Strategy Manager: Blue Capital SA (a member of OAD FCT)
- Inception date: January 17th, 2020

All the above information expressly shows how favorable the dMAP Strategy is in comparison with the private banking industry. The shifts and turns show how important it is for a more diversified portfolio to avoid failing in times like this.

Government guarants loans for SMEs

Since mid-March 2020, several measures have been taken by the Swiss government to tackle the effects of the coronavirus ("COVID-19") on the Swiss economy.

The key move was announced on March 20th, 2020, to help SMEs cope with the short-term effects of COVID-19 by supporting cash flow. The measures include government-guaranteed loans for SMEs with limited bureaucracy and very low or zero interest rates.

The Swiss government has also made moves to combat a significant increase in unemployment, for example, by giving companies the flexibility to receive partial unemployment benefits.