

OUT OF THE BLUE !

Letter to investors

March 2020

HELLS BELLS

The global spread of Covid-19 has caused panic on the markets which in just a short time has set off a series of historical losses. The only beneficiaries of this situation have been quality government bonds and gold, which benefited by the exogenous shock. Oil collapsed along with OPEC. BlueStar had been expecting a correction for some time and more recently has been skeptical about the extreme market hold. The speed and intensity of the correction, however, has been such that we begin to wonder if this is only the beginning or if we have gone from extreme complacency to uncontrolled panic. Until a few days ago, the market considered us all healthy, vaccinated and already looked for a recovery, while today we are all infected, poor and potentially dead (but with clean hands)! Until yesterday, the maximum correction could have been 3-5% after which we should have massively invested; today, many predict an almost certain recession, a bear market and it is advisable to take refuge in government bonds whose rates have not been seen since man stopped living in caves. We don't dare to minimize what is going on, however, BlueStar's attitude is to remain cool and not to panic. It is necessary to understand if the collective hysteria we are witnessing derives more from the media diffusion of the problem, and from the disordered international political reaction, or from its real effects on the economy. In this climate, it is natural for investors, strategists and analysts to panic. The data on the virus is clear: it spreads very quickly but has a mortality rate among the lowest of its past and eradicated "cousins". Covid-19, thanks God, is not Ebola nor Spanish flu. The actual spread of the virus in the USA represents at this point the wild card that can change all scenarios. At this stage, we are well aware of the recessive potential of the pandemic, which should however only be temporary, ensuring a V (or U) shape recovery of the economy. Markets have dropped sharply but can rise as quickly as they fell. The problem lies in identifying a bottom that we do not have the hubris to call. In this climate of uncertainty, risk management is key because it could be, as Will Smith said, that: nothing goes as it should...

Market	February 2020	Year to Date 2020
Bloomberg Barclays Euro Aggr. Bond Index	+0.4%	+2.3%
Bloomberg Barclays US Aggregate Bond Index	+1.8%	+3.8%
S&P 500 Index	-8.2%	-8.3%
Stoxx Europe 600 Index	-8.3%	-9.4%
MSCI Asia Pacific Index	-6.0%	-8.7%
Bloomberg Commodity Index	-5.2%	-12.3%



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