

OUT OF THE BLUE !

Letter to investors

May 2020

THE REVENANT

After the apocalyptic month of March, in which the stocks entered a bear market faster than ever seen in history, they turned around just as fast. Especially the American markets, with the S&P500 returning to -9% YTD and the NASDAQ 100 even reaching +6% YTD. The revenant! As though nothing ever happened! During the month of February (Die Another Day), BlueStar itself has highlighted how strong the market was and had considered the idea that the bull market would be hard to kill. Still, that was before the intense lockdowns in Europe and the United States, and before the 4 million viral infections (1.3 million of which in the USA alone) and 300 thousand deaths worldwide. Before a worldwide recession not seen in the last 90 years, with over 30 million unemployed in the United States. With numbers like these a few months ago, any investor would have sold off everything, locking himself in his house and hiding his money under the mattress. But that's not how it went. The markets didn't show themselves to be too susceptible to the disastrous data, on both micro and macro scale, published every day. People focused on only one side of the coin: the flattening of the infection curve and the reopening of the global economy. As though reopening automatically entailed a complete and instantaneous return to normalcy. Even with the expectation that everything that was saved by consumers would be spent quickly in a couple of quarters. In other words, some markets are betting strongly on a V-shaped recovery. To this we can add the massive and immediate intervention by governments and central banks, which are keeping many sectors and businesses that would have already gone bust otherwise on artificial life support. As has already been said at length, since many weeks now, BlueStar has refused to side with the prophets of doom who saw the lowest levels in March as just the first step in the market correction. Still, it's difficult for us to justify huge upside potential above the actual levels and in our opinion, even in the best case, the recovery will only be U-shaped. We won't get back to normal that quickly. Nowadays the risks outnumber the certainties and the market assessments, with a big question mark concerning future company earnings, are too ambitious. The market will probably survive the bear's horrific attack, but not even Leonardo Di Caprio could regain his entire strength and take revenge after just 23 days of market correction.

Market	April 2020	Year to Date 2020
Bloomberg Barclays Euro Aggr. Bond Index	+1.2%	0.0%
Bloomberg Barclays US Aggregate Bond Index	+1.8%	+5.0%
S&P 500 Index	+12.8%	-9.3%
Stoxx Europe 600 Index	+6.7%	-17.3%
MSCI Asia Pacific Index	+8.2%	-12.6%
Bloomberg Commodity Index	-1.6%	-24.7%



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