



Consequence of coronavirus: a strengthening of structural trends

Market Comment, March 2021

The coronavirus crisis is changing our habits and activities. It is accelerating a number of trends that were already evident before the pandemic began. In many cases, these trends are “disruptive”, i.e. they are structurally changing the economy as well as a number of industry sectors and markets at certain breakpoints. We have identified “7 corona trends” that are increasingly affecting our economic environment and seem unlikely to disappear even after a return to “normality”.

The spread of the coronavirus remains a headache for humanity. In addition to its impact on the “here and now”, it is also significant that this phenomenon – which may well recur in the form of another similar virus in the future – is bringing about medium- to long-term changes in the environment for the economy and financial markets.

After all, the pandemic has had an impact on more than just markets. It has also changed our habits and activities – from the way we structure our leisure time and the way we shop through to the way we work. We have seen all of this unfold in recent months, and to some extent have become accustomed to it. Even if warmer temperatures help us return to a “more normal” world, the changes we have seen look set to have more than just short-term consequences.

Our economic and market environment will probably be influenced by the following “7 coronavirus trends” to a growing extent and for a considerable time.

Rising importance of internet/digital platforms

While increase in purchases of services and goods via the internet was evident well before the coronavirus crisis, there is no doubt that this trend has now accelerated. Use of the internet is expanding continuously. More internet-based consumption/education, communication, digital forms of payment instead of cash, more widespread use of Bitcoin, and even the provision of advice via the internet – all of these phenomena have been amplified by the pandemic. In particular, demand will continue to grow for plat-

forms that can act as virtual hubs for consumer spending (“digital department stores” like Amazon), be used for communication purposes (e.g. Facebook) and exhibit the potential for all sorts of other future uses. For a while now, the market leaders in these areas have been enjoying above-average growth both compared to the economy as a whole and compared to the wider equity market.

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Gérard Piasko, Chief Investment Officer

More leisure time at home – electronic sports/gaming/streaming

The pandemic has led to greater consumption of sports and games that can be practised electronically, above all – though not exclusively – among the young (e-games, e-sport). Demand for film streaming has also shot up.

Globally renowned consumer brands

We have also seen a rise in the consumption of (often healthier) foods at home rather than in restaurants, as well as an increase in demand for renowned lifestyle brands that are trusted by global consumers (in the area of clothing, for example).

Telecommunications infrastructure

Digitization requires more as well as higher-quality infrastructure, and this is springing up thanks to planned investment on the part of governments around the world. Examples of this include “cloud”-based services, the 5G network needed by the new generation of smartphones, as well as fibre-optic and similarly stored infrastructure technologies. This should in turn give a medium-term growth boost to cloud and telecom providers, among others.

Artificial or virtual intelligence

The increased use of these digital activities requires the corresponding advance of technologies that can make all this possible in the first place – thanks to the processing of huge volumes of data (“big data”) and the development of forms of artificial intelligence, including autonomous learning.

Robotics and automation

The politically motivated desire on the part of countries/ regions to have more produced domestically rather than in China brings with it the threat of lower profitability. On the other hand, the wider use of automation and industrial robots can help to offset this phenomenon by increasing productivity and therefore profitability.

Internet security

In parallel to the advance of digitization, security risks are growing for both providers and customers of internet ser-

vices. The frequency of cyber-attacks is on the rise. Government departments in particular are becoming more vulnerable to this phenomenon, which means both state and corporate expenditure on cyber-security will need to rise.

Conclusion: Given the medium- to long-term trends that are being accentuated by the coronavirus crisis, we believe we are even better served by our investment strategy, which emphasizes diversification and quality.

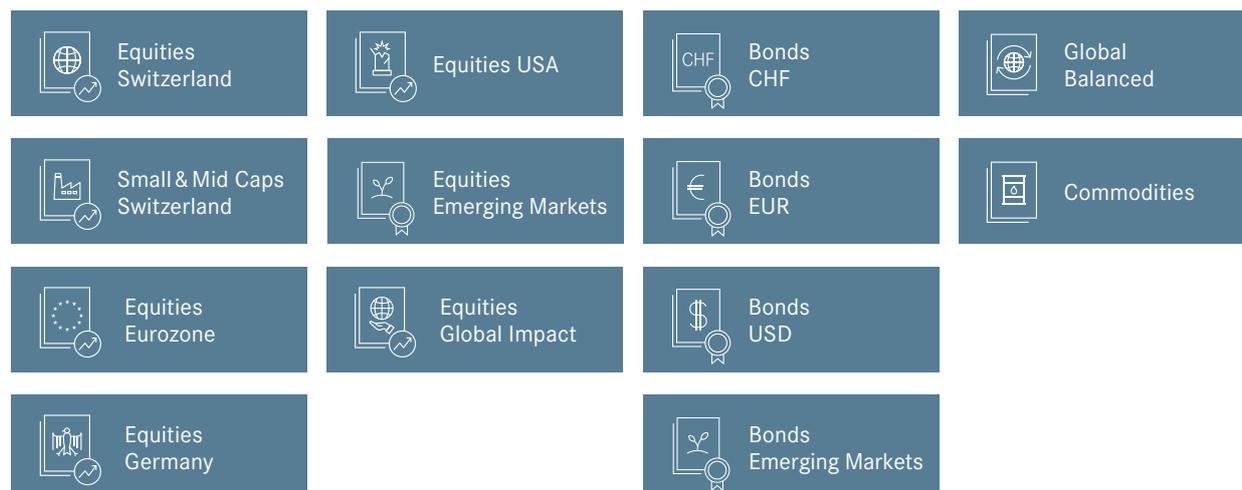
G rard Piasko

G rard Piasko is CIO and head of the investment committee of private bank Maerki Baumann & Co. AG. Before he was for many years CIO of Julius Baer, Sal. Oppenheim and Deutsche Bank.



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Editorial deadline: 4 March 2021

Maerki Baumann & Co. AG
Dreik nigstrasse 6, CH-8002 Zurich
T +41 44 286 25 25, info@maerki-baumann.ch
www.maerki-baumann.ch