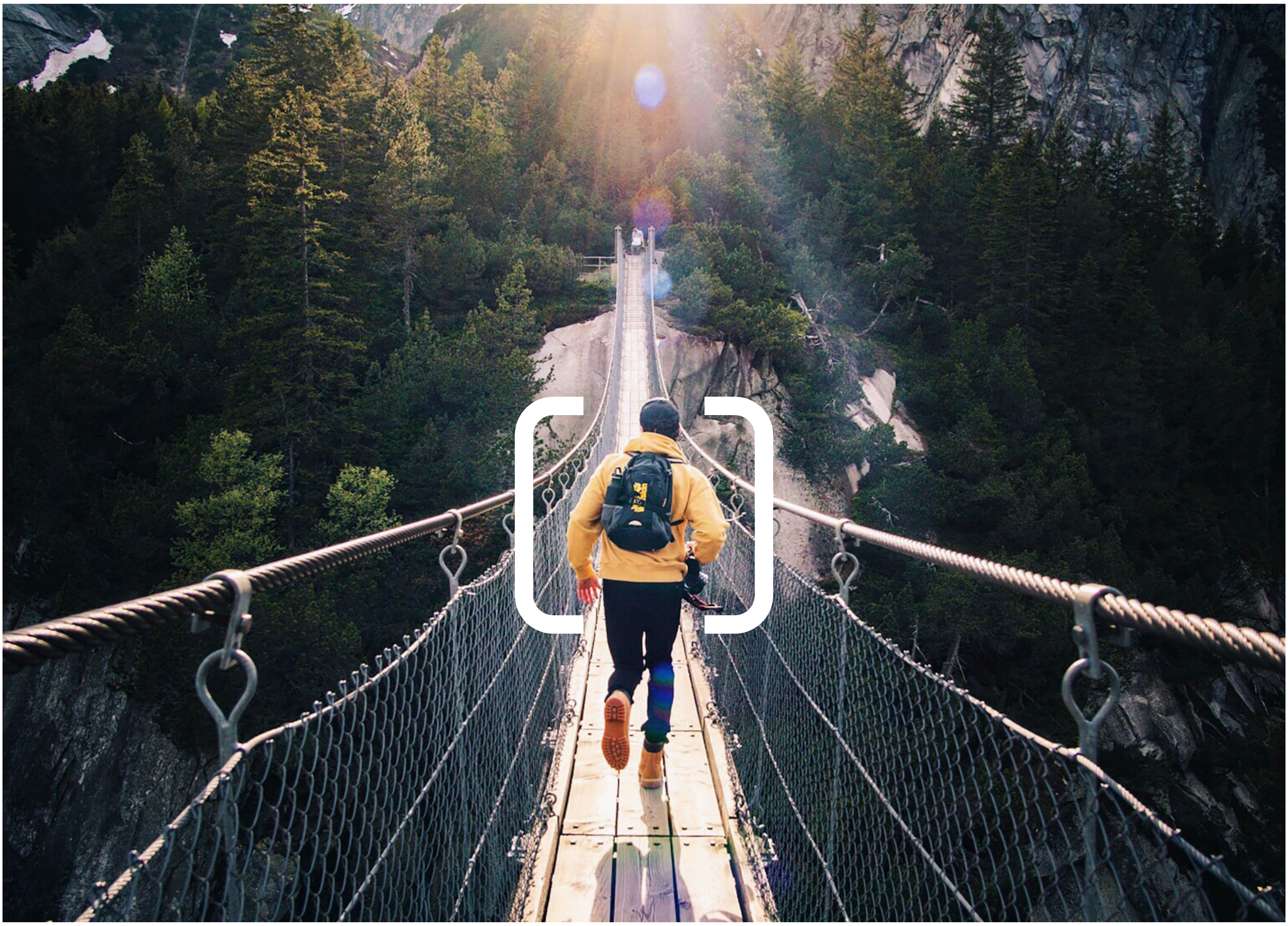
Market Insights

Q2/2023

While some respite was expected as we entered 2023, the start of the year was far from a relaxing one. After a hawkish start to the quarter, volatility especially in bonds, surged during March, following the collapse of Silicon Valley Bank. That led to fears about broader contagion across the banking system, that were bolstered by the sudden implosion of Credit Suisse and its acquisition by UBS, backed by guarantees from the Swiss government.

PRIVATE
BANKING



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Overview

Key takeaways

- A satisfying start of the year for the bulls
- We remain tactically cautious on equities and positive on spreads. We recommend investors to favor an "all-weather" portfolio
- Watch “antifragile assets”: gold is outperforming the S&P 500 since the bear market trough and bitcoin is by far the best performing asset year-to-date

While some respite was expected as we entered 2023, the start of the year was far from a relaxing one. After a hawkish start to the quarter, volatility especially in bonds, surged during March, following the collapse of Silicon Valley Bank. That led to fears about broader contagion across the banking system, that were bolstered by the sudden implosion of Credit Suisse and its acquisition by UBS backed by guarantees from the Swiss government. Some of the US Treasuries’ daily moves were the largest in decades, and the MOVE index of Treasury volatility hit levels last seen at the height of the global financial crisis.

In the first part of this publication, we review the top 10 stories from the past quarter, which happened to be a satisfying start to the year, for the bulls. Big Tech stocks, bullion, bonds and bitcoin all recorded gains despite the second largest bank failure in US history, stubbornly high core inflation, two quarters in a row of declining S&P 500 earnings per share on a year-over-year basis and CDS spreads on the US sovereign debt higher than they have been since 2008.

We then share the investment conclusions of our latest tactical asset allocation committee. The battle between the “bulls” and the “bears” is still raging and the winner has not yet been determined. While the technical background for equity markets has been improving recently, we keep our cautious stance on equities. Indeed, our view remains that the aftershocks of the Fed's policy tightening are starting to be felt in the financial system and the wider economy. We believe that the macro-economic context is starting to deteriorate and that we have entered another period of uncertainty, which should lead to an Equity Risk Premium re-rating.

Gold and bitcoin were among the best performing asset classes of the first quarter. They are perceived by many as “anti-fragile”, a concept which was developed in 2013 by Nassim Nicholas Taleb, the author of the best-selling book, The Black Swan. We discuss how “anti-fragility” could apply to investing and portfolio construction.

Credit Suisse was unfortunately not “anti-fragile”; 2023 will be remembered as the year when the Swiss banking giant had to be rescued by UBS, the FINMA and the SNB. It did not come without pain for Credit Suisse shareholders, but also for the Tier 1 bonds (AT1) and/or Contingent Convertible bond (CoCos) holders as all Credit Suisse AT1 bonds plunged to (almost) zero, resulting in 16 billion dollars of notional being almost totally wiped out. In a dedicated focus note, we discuss the future of AT1 bonds, a niche asset class of more than 250 billion dollars.

In the last section, we take a step back from investment perspectives and see how the Apple watch could change the daily life of diabetics. The firm from Cupertino has indeed made further progress towards integrating a blood glucose meter into its Apple watch.

While our forecasts and views are subject to change, our commitment to serve our clients is not.

We remain at your full disposal for any specific issues you like to discuss, so please do not hesitate to contact us.

Charles-Henry Monchau *Chief Investment Officer*

We're flexible, bursting with ideas and quick to challenge the status quo, adapt to changing circumstances and new demands, but we're clear about our focus and priorities – preserving and growing our clients' wealth.

QUARTERLY REVIEW

Q1 2023
in the rear view

Q1 2023 was turbulent period for the market, a hawkish start of the quarter ended in solid gains for equity markets, while the global banking industry was nearly brought to its knees. Here are 10 stories to remember from Q1 2023.

STORY 1 —

A volatile but positive quarter for markets

Q1 2023 was a turbulent period in markets, with a surge in volatility (especially in bonds) during March, following the collapse of Silicon Valley Bank. That led to fears about broader contagion across the banking system, while the sudden implosion of Credit Suisse led to its acquisition by UBS with guarantees from the Swiss government, and further bank crisis fears. Some of the US Treasuries' daily moves were the largest in decades, and the MOVE index of Treasury volatility hit levels last seen at the height of the2008 global financial crisis (see story #3).

By the end of the quarter, market fears had subsided due to 1) markets' anticipations that the Fed's rate hike cycle is effectively over; 2) the rise of the Fed's balance sheet being seen by many market participants as a "stealth QE". While the banking crisis might be a warning signal that the rapid series of central bank rate hikes is finally breaking something, Q1 as a whole saw some incredibly broad gains after the weakness of 2022, with advances for equities, credit, sovereign bonds, Emerging markets assets and cryptocurrencies (see story #10). The only major exception to that pattern were commodities (see story #9), with oil prices losing ground in every month of Q1.

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1'23
Global Agg 5.6%	Global REITS 23.0%	Small cap 32.9%	Global REITS 22.9%	Growth 3.5%	Small cap 13.3%	MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 15.2%
Global REITS 2.3%	MSCI EM 18.6%	Value 27.5%	Growth 6.5%	Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 7.9%
Value -4.9%	Small cap 18.1%	DM Equities 27.4%	DM Equities 5.5%	Small cap 0.1%	Cmdty 11.8%	Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 4.4%
DM Equities -5.0%	Growth 16.6%	Growth 27.2%	Value 4.4%	DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITS 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	MSCI EM 4.0%
Growth -5.1%	DM Equities 16.5%	Global REITS 2.3%	Small cap 2.3%	Global Agg -3.2%	DM Equities 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global Agg 3.0%
Small cap -8.7%	Value 16.4%	MSCI EM -2.3%	Global Agg 0.6%	Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	Global REITs 1.7%
Cmdty -13.3%	Global Agg 4.3%	Global Agg -2.6%	MSCI EM -1.8%	MSCI EM -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Value 1.1%
MSCI EM -18.2%	Cmdty -1.1%	Cmdty -9.5%	Cmdty -17.0%	Cmdty -24.7%	Global Agg 2.1%	Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -5.4%

Source: JP Morgan

STORY 2 —

A hawkish start of the quarter

The year started on a positive note with a strong rebound of risk assets in January following an awful 2022. A warmer

Winter than expected led to a sharp drop in European natural gas prices (-24.8% over January), decreasing the odds of a hard landing for the economy. Various consumer sentiment indicators surprised on the upside in the US and Europe. The China economy's post-covid reopening continued, boosting hopes that global growth would be lifted more broadly.

But as we moved into February, markets mood became more negative. This was mainly due to a series of strong US macro data (e.g unemployment falling to a 53-year low of 3.4%) and higher-than expected inflation, which led investors to increase the amplitude of future rate hikes.. In the Euro Area, data released in February also surprised on the upside with core inflation hitting a record high of +5.3% in January. This set of strong data sparked a major sell-off among global bonds, with Bloomberg's Global Aggregate Bond Index (-3.3%) seeing its worst February performance since its inception back in 1990.

By March, fears of stubbornly high inflation leading to a higher Fed terminal rate was validated by Fed Chairman Powell, who said in his semi-annual congressional testimony that "we would be prepared to increase the pace of rate hikes", which explicitly opened the door to 50bp moves again. Shortly afterwards on March 8, 2yr yields closed at a post-2007 high of 5.07% while the 2s10s curve closed at an inverted -109 bps that day, which hadn't been seen since 1981.

STORY 3 —

A roller coaster month of March for the MOVE index

But by mid-March, the hawkish tone suddenly receded as concern grew about the financial system after Silicon Valley Bank collapsed, raising fears of broader contagion. Credit Suisse then came under investor scrutiny and saw large deposit outflows, which culminated in a purchase by UBS that included guarantees from the Swiss government. This led to significant market turmoil, and investors speculated that central banks could soon call for the end of the current hiking cycle, with yields on 2-year Treasuries seeing their largest daily decline since 1982 on March 13. Bank stocks were also hit, with the KBW Bank Index down -17.9% over Q1, despite the broader equity rally.

However, by the end of the month, there were signs that calm was finally returning to financial markets. Measures of volatility had come down substantially. The CBOE VIX volatility index fell back below 20. The MOVE Index – which measures Treasury volatility – spiked in March but then eased by the end of the quarter, which seems to indicate that financial stress is receding.

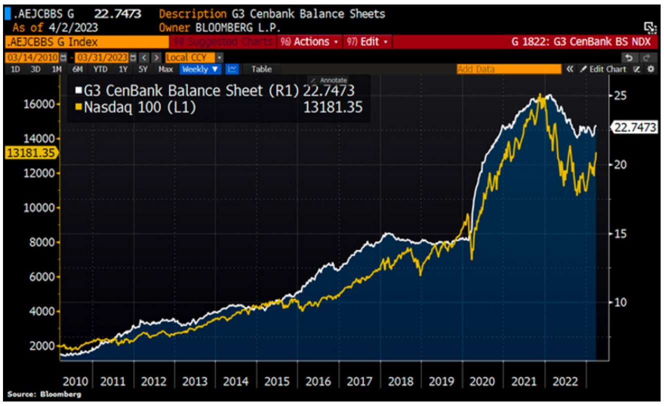
And with investors far less concerned about aggressive rate hikes, sovereign bonds put in a very strong performance. In fact, US Treasuries (+3.3%) just experienced their best quarter since the pandemic turmoil of Q1 2020, back when investors poured into safe havens and the Fed slashed rates to zero and restarted QE. For Euro sovereign bonds (+2.4%) it was also their best quarter since Q3 2019, bringing an end to a run of 5 consecutive quarterly declines.

Source: Bloomberg

STORY 4 —

Solid gains for equity markets

Despite the market turmoil, equities overall saw solid gains over Q1. For instance, the S&P 500 (+7.5%), the STOXX 600 (+8.6%) and the Nikkei (+8.5%) all advanced on a total return basis. The NASDAQ (+17.0%) had its best quarter since the Q2 2020, being the biggest beneficiary of the banking crisis liquidity move. As shown below, the Nasdaq 100 and the combined balance sheet of the Fed, ECB, and Bank of Japan move in tandem.



Source: Bloomberg

STORY 5 —

US equity markets were led by mega-caps

The entire market cap gains for the S&P 500 this year came from the top 15 largest companies. The remaining part of the index actually lost value year-to-date. Mega caps tech stocks (+31% in Q1 vs. +2% for the rest of the S&P 500) are masking the issues in the overall market.

S&P 500 performance in q1: only 10 companies were responsible for a massive 90% of the market's 7.49% performance

STORY 6 —

Style rotation in full speed

Tech (+22%) and Consumer Discretionary (+15%) dramatically outperformed in Q1 while Energy (-5%) and Financials (-6%) lagged. Last year losers were Q1 winners and vice-versa.

US growth stocks have dominated Q1, crushing value stocks. For context, this is the biggest growth/value quarter since Q1 2020 (and before that Q1 2009).Technology is now trading almost as rich as it has ever traded to the overall market...

Source: Bloomberg, www.zerohedge.com

STORY 7 —

Credit spreads widened in March

It was a decent start of the year for credit, with gains across all indices in USD, EUR and GBP credit. The strongest gains were seen among GBP IG non-fin (+4.3%) and US HY (+4.2%), whereas the weakest was among EUR Fin Sub (+1.1%). Having struggled in 2022, emerging markets saw a much better start to 2023 across the major asset classes: EM Bonds were up +4.9% over the quarter.

Source: Bloomberg, www.zerohedge.com

While credit benefited from the carry, we note that High Yield bond spreads in US and EU are wider in Q1 after blowing out wider in March, erasing all the compression from January / February. While stocks bounced back above pre-SVB levels, the credit market remains much more stressed (even with the rally of the last 2 days of the quarter).

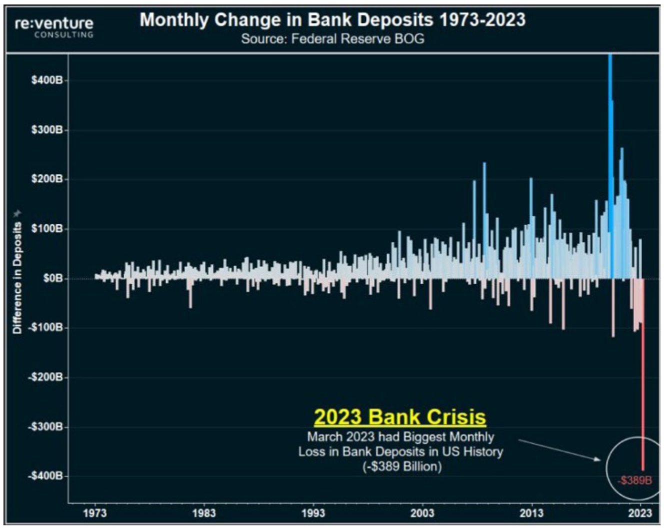
STORY 8 —

US bank run in slow motion continues. Money market funds are the biggest beneficiaries

Deposits at commercial banks dropped by $125.7bn in week ended Mar22, marking 9th-straight period of declines, highlighting preference for higher-yielding money-market funds.

US Banks lost nearly $400 Billion in deposits in March, which is the biggest monthly loss in deposits in US history. This data shows the gravity of the Banking Crisis. And why the Government acted so quick to bail out depositors.

Meanwhile, US money markets funds TOTAL ASSETS just hit a new all-time-high of $5.1 Trillion, up more than $500B in the last 3 months and 2x in 5 years. With average interest rates being way above bank deposit rates (3.3% vs. 0.58%), they continue to attract huge assets.



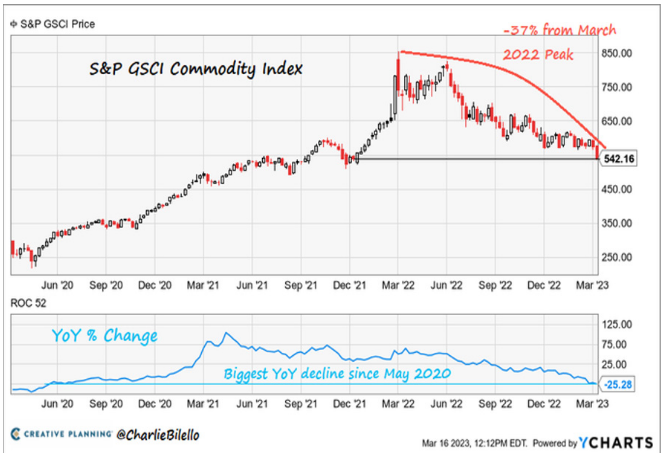
Source: re-venture

STORY 9 —

Commodities were the only major asset class to lose ground over Q1

Brent crude oil prices were down -7.1%, marking a third consecutive quarterly decline for the first time since 2014-15. In Europe, natural gas futures were down -37.3% over Q1, building on their -59.6% decline in Q4 last year. And plenty of agricultural commodities also fell back, including wheat (-12.6%), corn (-2.7%) and soybeans (-0.9%). The S&P GSCI Commodity Index is down 37% from its peak in March 2022, at its lowest level since December 2021.

Precious metals were the bright spot within commodities. Gold (+8.0%) and silver (+0.6%) prices both advanced over Q1. Prices have been supported by growing demand for safe havens, along with the prospect that central banks might be ending their hiking cycles shortly. That came after some very strong performances in March specifically, with gold up +7.8% over the month and silver up +15.2%. Gold is up for the second quarter in a row (up over 19% in the last 6 months - its best such gain since 2016), with its highest quarterly close in history.

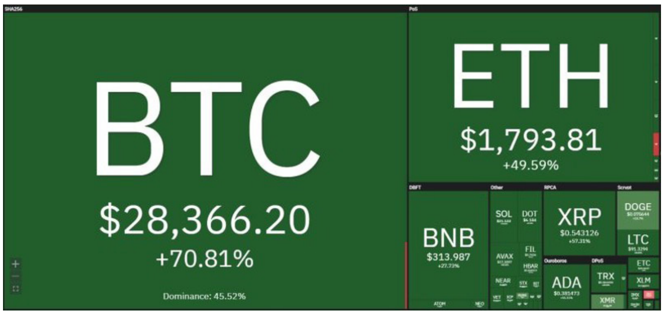


Source: Charlie Bilello

STORY 10—

The crypto come-back

After significant losses in 2022, cryptocurrencies rebounded strongly in Q1. Bitcoin had its best quarterly performance in two years, with a +70% advance that pushed it back to $28,500. Ethereum is also up for 3 straight months, best quarter since Q1 2021, nearing a 7-months high at $1850. Bloomberg's Galaxy Crypto Index was up nearly +60% over the quarter.



Source: Bloomberg

ASSET ALLOCATION INSIGHT

A tug of war between Fundamentals and Technicals

The battle between the "bulls" and the "bears" is still raging and the winner has not yet been determined. While the technical background for equity markets has been improving recently, we decided last week to keep our cautious stance on equities. Indeed, our view remains that the aftershock of the Fed's policy tightening is starting to be felt in the financial system and the wider economy. We believe that the macro-economic context is starting to deteriorate and that we have entered yet another period of uncertainty which should lead to an Equity Risk Premium re-rating.

We are also keeping our positive view on credit, while upgrading the USD yield curve preference from cautious to positive. Other changes include a downgrade of our view on commodities from attractive to positive, and upgrading Gold from positive to attractive. The CHF is also upgraded against dollar from cautious to positive. Last but not least, we are upgrading Japan equities from cautious to positive.

The big picture

Six months have passed since the S&P 500 index touched a 25% peak to through drawdown last year. The main US equity benchmark is up more than 17% from its 12th of October 2022 closing low. Can we thus declare the bear market over?

There are indeed some reasons to be cheerful. First, the technical situation is improving for equities including for the most watched benchmark: the S&P 500. Since mid-March, the downtrend in the S&P 500 has been broken. We also note that the index is now trading above the 200-day moving average, which is actually changing direction (from bearish to bullish). Finally, the index's lows continue to be higher.

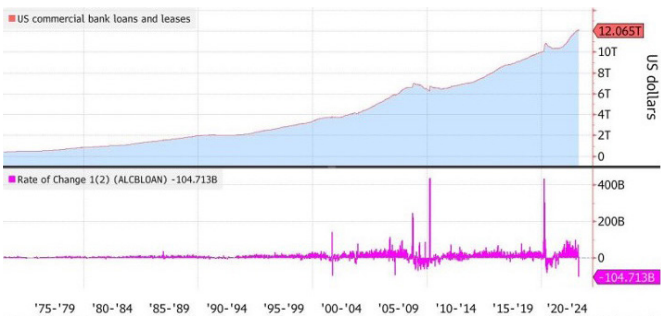
Second, the sentiment on equities is too bearish (which is good from a contrarian perspective). Large speculators, traditionally hedge funds, saw last week their net short positions in S&P 500 e-mini futures increase to the most bearish reading since November 2011. The latest BofA Fund manager survey also shows that underweight equities and overweight cash is now a "crowded trade". This bearish positioning means there is a lot of dry powder to be invested in equity markets if the bearish / cautious managers get wrong-footed.

On the macro and fundamental side, there are also reasons for some optimism. Global economic growth has been resilient in the first quarter. A warmer Winter than expected led to a sharp drop in European natural gas prices, decreasing the odds of a hard landing for the economy. Various consumer sentiment indicators surprised on the upside in the US and Europe. China's post-covid reopening continued, boosting hopes that global growth would be accelerated more broadly. Meanwhile, global inflation continues to ease. Last but not least, earnings continue to surprise on the upside: high nominal growth (real growth + inflation) remains a tailwind for companies' top-line. Meanwhile, profit margins have been resilient, which means that on a net aggregated basis, companies are able to pass higher costs onto the consumers. This has been nicknamed as "greedflation", a situation where companies increase their prices more than necessary in order to make as much money as they can (while they can still afford to do it).

But despite the bull case, there are also reasons to be fearful. To start on the technical side, let's keep in mind that recent market leadership is less supportive than it was a few months ago. Discretionary vs. Staples, Transports vs. Utilities, Small vs. Large, Copper vs. Gold, and High Beta vs. Low Beta are meaningfully softer today compared to earlier this year. Notably, the equity market's leadership profile looks more consistent with an economic slowdown, as does the continued message from the bond market (i.e. the entire yield curve is inverted).

The current growth/inflation mix cannot be seen as supportive for risk assets. While inflation is declining on the back of favourable comps and lower energy prices, we expect global growth to decelerate as well. The recent banking crisis in the US (but also in Europe due to Credit Suisse woes) should significantly tighten lending standards. This will have consequences on economic activity at a time when consumers are facing higher mortgage, higher credit card interest payments and declining real wages growth.

US bank lending dropped dramatically in March



Source: Bloomberg

Liquidity conditions are still not supportive. While the Fed balance sheet has soared on the back of the SVB debacle, this should not be considered as the end of QT (“Quantitative Tightening”) and the start of a new QE (“Quantitative Easing”). The Fed has been providing ample liquidity to the banking system, which is very different than purchasing sovereign and corporate bonds in the open market. We note that US Money supply is collapsing. US M2 growth plunged to -2.4% YoY in February, the lowest in history. This can be interpreted as a recession warning.

US M2 YoY%

Source: Bloomberg

As mentioned in our previous asset allocation insights document (see March 2023 “Fed tightening “dynamite fishing” starts to hurt”), monetary policy tightening is like dynamite fishing: when the blast hits, it decimates everything in the vicinity. The small fishes rise to the surface first. But it can take some time for the whale(s) to show up. With the unwinding of Silicon Valley Bank and Signature Bank in March, it is clear that the aftershock of the Fed's policy tightening is starting to be felt. But should we see these two banks as whales or as just being those small fishes? At this stage, it is very difficult to answer this question. However, we believe that we have entered a new period of uncertainty where the weakest links of the economy will be under rising pressure (commercial real estate, subprime auto loans, credit cards loans, etc.)

With regards to earnings growth, the aforementioned “greedflation” is most likely unsustainable over the medium to long-run. Indeed, consumers might not be able to afford higher prices for longer. We expect global earnings expectations to start declining in the second half of the year. Typically, forward earnings estimates start to recover between three and six months after a durable market bottom. Equity valuations can barely be seen as attractive, especially in the US. The equity risk premium (S&P 500 earnings yield minus 10-year US yield) remains too low and does not compensate for the current tail risks (banking crisis, inflation, geopolitics) the market is facing.

Last but not least, we need to keep in mind that stocks rarely bottom as US-Fed hikes. Market hopes are that equities will rally once the Fed announces the end of the rate hike cycle. But recent history suggests that bond yields and the S&P 500 decline in the months that follow the end rate hike cycles.

How did the S&P 500 and US 10-year Treasuries behave following the end of the Fed rate hike cycle?

Source: Bloomberg

Indicators review summary

Our tactical asset allocation process is based on five indicators.

Macro & Fundamental Factors
(Leading indicators)

→ Macro-economic cycle:
NEUTRAL

→ Liquidity:
NEGATIVE

→ Earnings growth:
NEGATIVE

→ Valuations:
NEUTRAL

Market Factors
(Coincident indicators)

→ Market dynamics (Breadth, Sentiment, etc.):
POSITIVE

Indicator #1

Macro-economic cycle: Neutral (from Positive)

Current macro-economic dynamics remain positive, supported by tight job markets on both sides of the Atlantic, fueling strong domestic demand and solid services sector activity. The ongoing recovery in Europe after the energy-led slowdown of late 2022 also contributes to a positive global momentum, as well as the reopening of China.

However, cyclical sectors (manufacturing, real estate, banks…) are under rising pressures from tighter financial conditions. March's developments (SVB/Signature, CS, deposit decline in the US, US CRE worries…) suggest that the tipping point where rising rates seriously bite into economic activity could soon be reached.

On top of that, additional headwinds such as the US debt ceiling deadline or a potential rise in energy prices triggered by supply reduction, may also impact economic growth later this year.

The combination of still ongoing positive growth momentum, on the one hand, and rising headwinds and risks on the other hand, makes for an overall Neutral score for the macro-economic cycle. The risks are clearly tilted toward the downside, but the current benign growth environment might extend for some time, until the loss of cyclical momentum eventually drag economies in recession by undermining job market dynamics.

Indicator #2

Liquidity: Negative

The rate hike cycle is not over yet (cf. March rate hikes by the Fed, the ECB, the SNB or the BoE).

Central banks still face inflation rates significantly above their targets.

Even more worrying for central banks is the fact that inflation is currently driven by rising service prices and higher wages (and no longer by "exogeneous factors" such as energy & commodity prices or supply chain bottlenecks)

Providing liquidity to a wavering banking sector (against sound collateral), as central banks did in March, is very different from injecting liquidity into financial markets as they did with Quantitative Easing programs. As a matter of fact, the gradual unwinding of QE bond purchases has not been halted, neither by the Fed nor by the ECB.

Higher rates and declining bond holdings by central banks continue to tighten financial conditions and reduce available liquidity in the economy and markets. Short-term liquidity facilities to prevent the banking system from seizing up are different by nature, and are unlikely to balance or reverse the impact of higher rates and Quantitative Tightening.

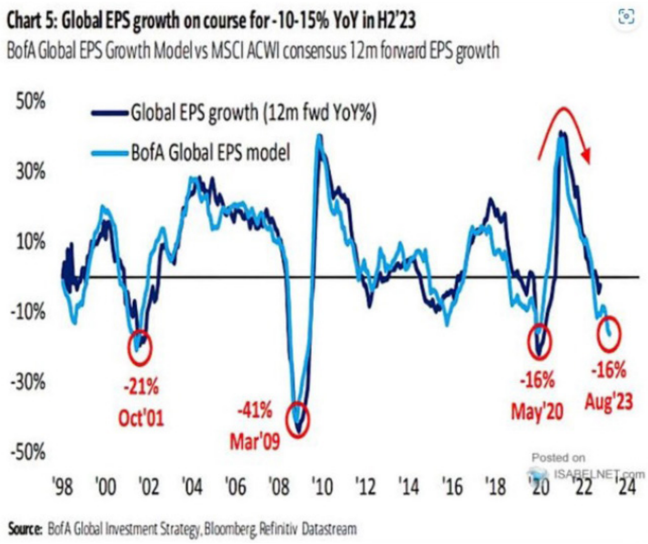
Liquidity conditions therefore remain Negative for the time being, and are likely to be so until tangible signs of imminent recession risk and/or significantly softer inflation appear.

Indicator #3

Earnings growth: Negative

While global earnings have been resilient so far, a margin squeeze (lower demand weighing in revenues, higher labor and input weighing on margins) could be around the corner and would imply negative operating leverage.

According to BofA estimates, global EPS could decline by as much as -10%/-15% in the second half of this year.



Indicator #4

Valuations: Neutral

US equities derated in 2022 but is still expensive in historical term and remains less attractive than bonds. This is also why we believe that a risk premium re-rating might take place: there is not enough cushion on the valuation side for US equities.

European and Japan equities valuations are more attractive than their US counterparts.

Indicator #5

Market dynamics: Positive (from Neutral)

In the US, the trend, technical, breadth and volume are all positives while sentiment remains neutral. Market breadth indicators were particularly volatile in March, turning red before mid-month, and then gradually improving to close the month in positive territory.

In Europe, the trend varies between positive and neutral (Rate of change is neutral). Technicals are neutral while breadth, sentiment and volume are positive. Market breadth was more stable than in the US, but technical indicators turned red mid-month before being back in the neutral zone.

Overall, the downside risk to the macro pillar (not yet compensated by an improvement on the monetary policy, earnings growth or valuations pillars) leads us to adopt a cautious stance on both equities and credit. The positive rating in market dynamics keeps us on alert for a potential upgrade of our equities stance in case of any major fundamental improvement.

Asset Allocation decisions

We believe that we have entered a new period of uncertainty, which should lead to an Equity Risk Premium re-rating. As such, we keep our cautious stance on equities.

Our Goldilocks scenario is at risk: while global inflation is softening, recession risk is increasing, and earnings/margins are likely to be under pressure. As aforementioned, liquidity conditions are still not supportive for risk assets. While the Fed is close to the end of rate hiking cycle, a “pivot” would be subject to macro deterioration (which will be itself a negative for risk assets).

From a regional standpoint, we keep an attractive view on China & EM Asia. We remain positive on the US, Europe ex-UK, UK and Switzerland. We are upgrading Japan from cautious to positive. This view is made from a total return (local currency return + forex) point of view. We believe that Japanese equities can perform reasonably well despite the strength of the yen. Some domestic sectors are benefiting from higher nominal growth (due to higher inflation) while the export sector is exposed to the reopening of the Chinese economy. We keep a cautious stance on EM Latam and other EMs.

In terms of sectors, size and style, we continue to favor defensive over cyclicals, large caps over small caps and keep a balance between growth and value.

Within Fixed Income, we keep our cautious stance on rate while upgrading the USD yield curve preference from cautious to positive on the back of signs of macro deterioration in U.S. We still favor the front end as it offers a decent carry and low-rate sensitivity, while the historical level of yield curve inversion argues for staying away from the long end. Positive economic surprises (1-year high) in US seem to have peaked, which could ease the pressure on LT yields, but the recent rally doesn’t offer attractive entry point for now.

Positive economic surprises have peaked in the United States

Source: Bloomberg

Liquidity has temporarily improved as the Fed has eased its access to liquidity (overnight repo that goes into bank reserves), but the Fed didn't buy bonds through SOMA. As such, there is no direct reversal of the recent QT trend. Our preference on USD rates over EUR rates is justified by the fact that ECB still needs to catch-up: ECB President Lagarde recently reiterated concerns that core inflation is "far too high", and that the ECB still has "ground to cover" to bring inflation back to 2% while ECB’s Holzmann stated that a half point hike is still on the cards for May. We still continue to avoid peripheral rates as the yield pick-up is not sufficient to compensate weaker fundamentals and higher volatility.

Gap between US and European inflation expectations vs the spread between USD and EUR yields: European rates have yet to close the gap

Source: Bloomberg

We have kept our positive stance on Credit while we rate high yield investments as unattractive. We favor 0-to-10-year segments due to the steepness of the credit spread curve which fully offset the inverted U.S. Treasury yield curve. Absolute yields are still offering attractive long term entry point. We focus on high quality corporate bonds that have proven their robustness even if money market funds compete the entire credit spectrum. European high yield is more attractive than U.S. high yield due to valuations that reflect heightened fears of a deeper recession in Europe and consequently higher default rates. The European premium has piled up again since the Credit Suisse affair. The current valuation of U.S. high yield spreads implies modest default rates and the absence of inflation slippage, or a near-term recession and this time higher oil prices should not help the segment. But in absolute term, High yield bonds are not expensive.

The steepness of the credit curve fully offsets the inversion of the Treasury yield curve

Source: Bloomberg

Subordinated is a matured and resilient asset class offering large premiums, with cheap valuation (absolute/relative) due to Credit Suisse developments. The European authorities have firmly stated once again that AT1s are important and that they are senior to shareholders in the capital structure. Capital positions are solid, but we recognize that investors have become wary again. Fundamentals benefit from rising interest rates. If there is no recession in Europe in 2023, banks will benefit fully.

Subordinated is offering cheap valuation (absolute/relative) due to CS developments.

Source: Bloomberg

We remain positive EUR and JPY versus USD. We are upgrading our stance on the CHF against USD from cautious to positive. With the Fed likely to pause sooner than other developed markets' central banks and with the debt ceiling issue likely to hit headlines in the coming weeks, we expect the greenback to stay under pressure.

We are upgrading Gold from positive to attractive. Gold prices have risen strongly following the collapse of several US regional banks, the fallout of Credit Suisse and rising risks of banking instability in Europe as investors have been seeking refuge in the ultimate safe-haven asset: Gold. The statement "gold is nobody's liability and carries no credit risk" sounds more fitting that ever. Other tailwinds for the yellow metal include the following: 1) We are approaching the end of the rate hiking cycle and real yields keep declining; 2) Continued solid physical demand thanks to continued central banks' buying particularly from China and Russia which, lately, have keen to diversify their reserves away from the dollar will continue to support gold in 2023; 3) Gold ETF buying which reflects retail investors' flight to safety following the banking crisis and 4) Falling investments in exploration as the industry currently prefers to focus its exploration activity on base / battery metals.

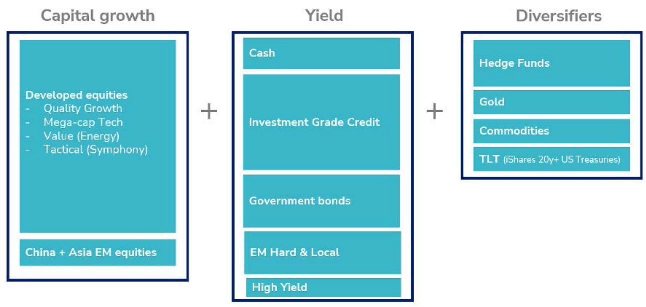
Meanwhile, we are downgrading Commodities from attractive to positive as we believe the macro headwinds will weigh on the demand outlook for energy and industrial metals.

We keep an attractive view on Hedge Funds. Macro hedge funds and equity long-shorts should benefit from current market conditions.

Overall, we currently aim at running an "all-weather portfolio". Our exposure to capital growth includes allocation to developed equities through a well-diversified portfolio which includes both growth and value large-cap stocks. We also have an exposure to China and EM Asia stocks. Yield is generated through cash, investment grade credit, government bonds, EM bonds as well as a small allocation to High Yield.

Diversifiers include hedge funds, gold, commodities and long duration US government bonds.

An illustrative view of a balanced portfolio (the size of the boxes roughly indicates the relative allocation of the various "buckets")



Tactical positioning: our asset allocation matrix

	Very Unattractive	Unattractive	Cautious	Positive	Attractive	Very Attractive
Portfolio risk			Equities Rates	Credit Spreads		
Equities			EM Latam Other EM	Euro zone United Kingdom United States Switzerland **Japan** →	China&EM Asia	
Fixed Income		HY Credit	Government Bonds Subordinated debt EM Hard EM Local	IG Credit		
Yield curves		EUR “core” EUR “peripheral” CHF GBP		**USD** →		
Forex (vs USD)			EM currencies GBP	EUR JPY **CHF** →		
Commodities				Commodities ←	**Gold** →	
Alternative Investments					Hedge Funds	

Source: Investment strategy group - 05 April 2023

Change from last month

→ More attractive

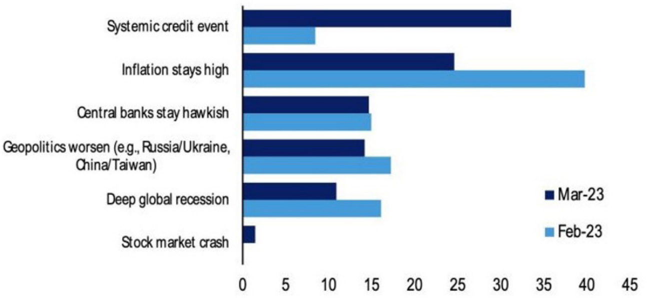
← Less attractive

Anti-fragile assets

Why gold and bitcoin can be considered as diversifying assets for multi-assets portfolios?

The first quarter of 2023 ended on a relatively positive note for risky assets, with the S&P 500 index up around 7%. However, after the setbacks of several US banks and Credit Suisse, the fear of another "black swan" is dominating investor sentiment. Indeed, the latest Bank of America survey of fund managers shows that a systemic credit event is now considered by investors as the most important tail risk, replacing de facto the risk of inflation remaining high over time.

Systemic credit event overtakes inflation stays high as biggest tail risk



Source: BofA Global Fund Manager Survey

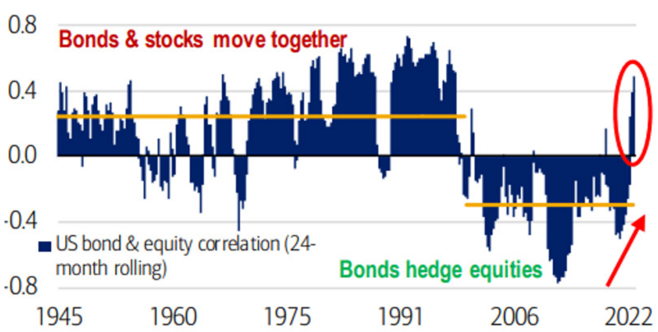
How can investors protect their portfolios against this type of event (called "tail risk")?

In a world of low inflation or even deflation, the combination of equity and bond pockets in a portfolio was a winning formula. Indeed, the correlation between stocks and bonds proved to be negative most of the time. When stocks performed poorly, bonds performed well and vice versa. Their offsetting performance allowed investors to build less volatile portfolios, better manage market declines and improve risk-adjusted returns.

But with the return of inflation, we are now in a new paradigm. Equity and bond markets tend to move in the same direction (see chart below showing the correlation between the two asset classes over 24 months). In this context, government bonds are no longer fulfilling their role of portfolio protection. Should investors consider other asset classes to diversify portfolios?

Bonds don't hedge equities in an inflationary world

Rolling 24 month correlation between stocks and bonds

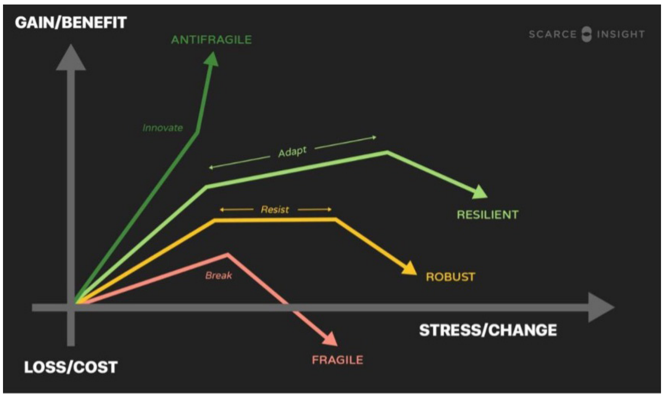


Source: BofA research Investment Committee, Global Financial Data

Anti-fragile assets

While illiquid assets (venture capital, infrastructure, private debt, hedge funds, etc.) can be considered as a solution to improve the risk/return trade-off, many investors want to keep their portfolios liquid. In this case, they can seek de-correlation by including so-called "anti-fragile" assets in the portfolios.

"Anti-fragility" is a concept that was developed in 2013 by Nassim Nicholas Taleb, the author of the best-selling book, The Black Swan. The thesis developed is that the opposite of fragile is not solid or robust, as one might intuitively think, but "antifragile." Fragile is anything that does not stand up to the test. Solid is everything that resists numerous tests. Antifragile is anything that gets better with testing. The concept applies to everything: politics, health, education, economics, urban planning... and, of course, the markets. In finance, the anti-fragile likes volatility, uncertainty, shocks, financial crises, etc.



"Some things benefit from shocks; they thrive and grow when exposed to volatility, randomness, disorder, and stressors and love adventure, risk, and uncertainty. Yet, in spite of the ubiquity of the phenomenon, there is no word for the exact opposite of fragile. Let us call it antifragile."
- Nassim Taleb.

Fragile	Antifragile
Breaks with disorder	*Benefits from disorder*
Little upside potential	*Little downside risk*
Huge downside risk	*Huge upside potential*

Gold, the king of anti-fragile assets?

In his book, Taleb did not comment on the case of gold as an anti-fragile asset. However, Stöferle and Valek, analysts at Incrementum and followers of the Austrian school, have addressed the issue. In their view, gold is neither particularly fragile, nor completely robust or anti-fragile. Its value lies in its trustworthiness, a prerequisite for any form of money. Gold has always been recognized as a medium of exchange and as a safe haven currency in times of crisis: "Gold is not a perfectly anti-fragile asset, but has, during severe crises, exhibited anti-fragile characteristics."

The analysts from Incrementum highlight some of gold's robustness (not anti-fragility) characteristics: it is inherently stable/durable: it is known to be resistant to air, water, fire, and chemical attack; there is a stable supply of it; it is expensive and slow to mine. In this sense, gold is robust. Gold is also one of the most liquid assets in the world in terms of the volumes in which it is traded, which helps to make it robust, even in times of stress.

The value placed on gold is subject to wide price fluctuations. The gold market is manipulated and can be subject to speculation. As a result, the gold market is not immune to bubbles, so the price of gold tends to be fragile.

With no maturity risk and no counterparty risk, gold is the "anti-debt" asset by excellence. But "debt always weakens economic systems", as Taleb says. Furthermore, "the long-term trend in the price of gold is not related to the history of gold, but rather to the history of the monetary system. The long-term upward trend in the price of gold is the result of the monetary system's addiction to inflation." In this regard, gold is "clearly anti-fragile."

One important caveat is that there is a threat of a ban on holding gold, particularly in the form of "restrictions and taxation of gold trading that would diminish the benefits of holding gold".

Stöferle and Valek conclude that gold has a place in an "anti-fragile portfolio," that is, a portfolio built on the principle that "a number of elements within the system must be fragile in order to make the system anti-fragile."

What about the behavior of gold in the recent past? In recent weeks, the price of gold has risen sharply following the collapse of several U.S. regional banks, the collapse of Credit Suisse and the growing risks of banking instability in Europe. Investors have been investing in the ultimate “safe haven”: gold. They may continue to do so if the banking crisis persists.

Bitcoin, the new anti-fragile asset?

Bitcoin is often referred to as "digital gold". Indeed, its time-limited supply is one of its main similarities to precious metals. The "white paper" published before its launch in 2009 stated that Bitcoin production would be capped at 21 million by 2140. Today, 90% of the tokens have already been mined. It is estimated that there are less than 0.4 Bitcoins per millionaires on the planet. This ratio is expected to decline, as the number of millionaires grows faster than the number of Bitcoins in circulation. The process of introducing new bitcoins into the economy is therefore the opposite of fiat currencies, for which an unlimited amount of bills are currently being printed. Bitcoin is now scarcer than gold and has a deflationary tendency that will take it from a supply growth of 1.8% to 0.9% in four years and only 0.4% in the following four years.

Bitcoin emerged at a time when one of the biggest black swans hit the U.S. and global economy: the great financial crisis of 2008. Since its launch, bitcoin's monetary policy has made it the most robust and scarce currency on the planet.

Bitcoin has survived many mistakes, shocks and even so-called "hard forks." Bitcoin has been declared dead many times. Bitcoin mining has been banned in several countries, causing huge mining farms to be shut down immediately without any consequences for the Bitcoin network.

All these events and attacks did not stop the development and adoption of bitcoin. The cryptocurrency keeps getting stronger with every block deposited. Every 10 minutes, the security of all transactions made on previous blocks is strengthened. During each four-year period between halvings, the value of bitcoin has increased.

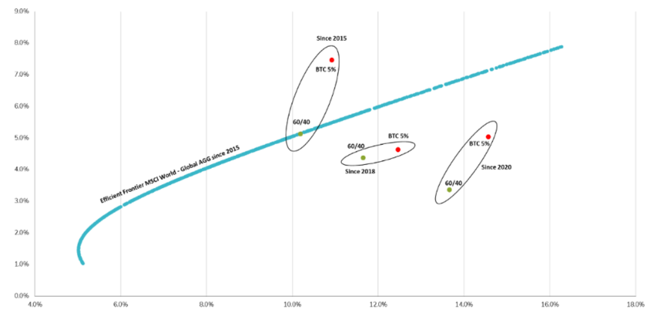
It is this ability to survive and strengthen during crises that makes bitcoin an anti-fragile asset. Admittedly, its high correlation with stocks and bonds in 2022 has undermined bitcoin's anti-fragile nature. But this behavior should be seen in the context of bitcoin's exponential rise between 2020 and late 2021. The de-risking of 2022 penalized almost all financial assets and especially those that had appreciated strongly.

In 2023, the price of bitcoin appreciated dramatically during the banking crisis in the US and following the Credit Suisse debacle. In the first quarter, bitcoin appreciated by 70%.

Conclusion

While the de-correlation properties of gold are accepted by most investors, the case of bitcoin is much more controversial. Yet the historical data is unequivocal. As the chart below shows, adding a 5% allocation to bitcoin in a 60-40 portfolio would have improved the risk-return trade-off, regardless of the period considered. Due to the high volatility of bitcoin, a small allocation or investment in a fund of hedge funds dedicated to digital assets may be appropriate in the current macroeconomic environment.

Adding Bitcoin to a 60/40 portfolio improves risk adjusted returns



NB: In blue the efficient frontier consisting of global stocks and bonds since 2015. In green, 60/40 portfolios (stocks/bonds) over different time periods. In red, a 60/40 portfolio with a 5% allocation to bitcoin (implying an equivalent reduction in the weight allocated to stocks and bonds).

FOCUS

Should we still be in love with the CoCos?

The UBS/Credit Suisse affair has caused the AT1/CoCo bond markets to struggle

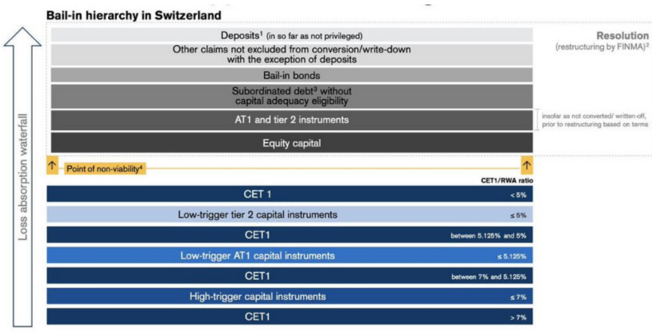
By tightening their monetary policy sharply and rapidly, central banks have highlighted certain weaknesses in our financial system: insufficient risk coverage, liquidity problems, lack of business diversification, governance issues, and now uncertainties in the treatment of hybrid instruments. After the failure of some US regional banks, the UBS/Credit Suisse affair has shaken the financial world and more particularly the specialists of a specific bond segment which weighs about 250 billion dollars: Additional Tier 1 bonds (AT1) and/or Contingent Convertible bonds (CoCos).

Indeed, a global coordination of the FINMA (the Swiss regulator), the SNB (Swiss National Bank), and the Swiss Confederation decided to breach the hierarchy of claims by giving more than 3 billion dollars to the shareholders of Credit Suisse but wiping out the entire 16 billion dollars of Credit Suisse AT1 bonds. This has caused the bond markets to struggle.

What are the AT1/CoCos bonds?

Additional Tier 1 bonds were introduced in Europe after the global financial crisis in 2008 to serve as shock absorbers when banks start to fail. AT1s are a deeply subordinated debt eligible for regulatory capital requirements/purposes under Basel 3. The instruments are designed to absorb losses in two ways: the first is via partial or complete suspension of coupon payment at the discretion of the issuer and the second is via either a (full or partial/temporary or permanent) principal write down or a (full or partial) conversion of the nominal amount into equity. The latter is triggered by a so-called quantitative capital trigger event with a predetermined regulatory capital ratio (5.125% or 7%). This bond segment has been sharply growing over the last decade to reach a size of about $250bn.

Bank Capital Structure with bail-in hierarchy in Switzerland



Source: Credit Suisse

Why are these hybrid instruments essential to the stability of the financial system?

AT1s are "regulatory" bonds that are an integral part of a bank's capital structure. They are used to ensure the soundness of a so-called systemic bank and to protect the financial system in case of bank failure. AT1s are also a good indicator of investor sentiment: if a bank cannot issue or refinance an AT1 bond, it will not be able to meet the capital requirements imposed by its jurisdiction. It is therefore crucial for the stability of the financial system that the AT1 bond market is not under severe stress. Finally, AT1s are an important and cost-effective source of capital for banks, which can finance themselves at a lower cost than raising capital through the equity market.

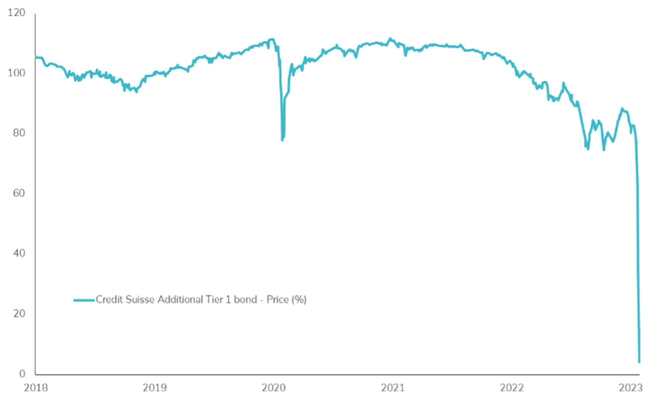
Why did the Swiss decision on Credit Suisse's AT1s shock the market?

The only time AT1 bonds were written down was in the case of Banco Popular Español. In 2017, the Single Resolution

Board (SRB) triggered the resolution of Banco Popular Español. This decision was based on the ECB's conclusion that the bank was imminently non-viable, given the rapid deterioration in liquidity and the failure of the sale process. To ensure continuity of operations and preserve financial stability, the SRB decided to transfer Banco Popular Español to Banco Santander. To fill in the capital shortfall, all shares and AT1 instruments were written down and Tier2-Securities (T2s) converted into shares transferred to Santander for the price of 1 euro.

The Credit Suisse case is different, as liquidity and capital ratios were above minimum requirements. But market and investor sentiment toward the bank was so negative that it could not be restored, according to the Swiss authorities. Even after a statement from the Swiss authorities that the bank was solvent. At this point, a merger with UBS was the most viable and fastest solution. Credit Suisse shareholders will receive 3 billion dollars in UBS shares, Credit Suisse AT1 bondholders will be reduced to zero, and UBS will receive a $200 billion liquidity line and other guarantees from the Swiss government. To complete the deal, Swiss authorities excluded shareholders from the approval process in a law passed Sunday night and wiped out all AT1 bondholders. The consequences for Credit Suisse AT1 bonds were swift: all AT1 bonds plunged to (almost) 0 on Monday.

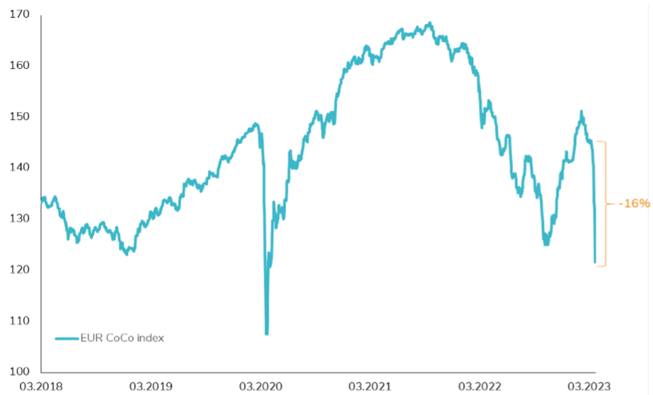
Credit Suisse Additional Tier 1 bond – Price evolution



Source: Bloomberg - 22nd of March 2023

But it wasn't just Credit Suisse AT1 bonds that fell, the entire AT1 bond market massively plunged on Monday. The main reason? The breach of the hierarchy of claims by the Swiss authorities. Indeed, the fact that shareholders receive compensation but AT1 bondholders are wiped out raises questions about the subordination of AT1 bonds to equity.

ICE BofA Contingent Capital Index – Price evolution



Source: Bloomberg - 22nd of March 2023

In order to stabilize the market, the European regulator, followed by UK regulator, issued a statement reminding of the European bank's resilience and confirming that AT1 holders should expect to be senior to shareholders and that they will continue to respect that order. In other words, they differentiated themselves from the decision taken by Swiss authorities. Since those statements, the market has stabilized.

Many questions were raised to understand how AT1 bondholders have been wiped out while the bank was still solvent. It appears that after the statement of support for Credit Suisse was issued and the new liquidity line was decided, the Swiss authorities passed a new law during the weekend about emergency liquidity funding for systemic banks, which allows the write down of AT1s. So, they passed a new law, which allowed them to write down the AT1s.

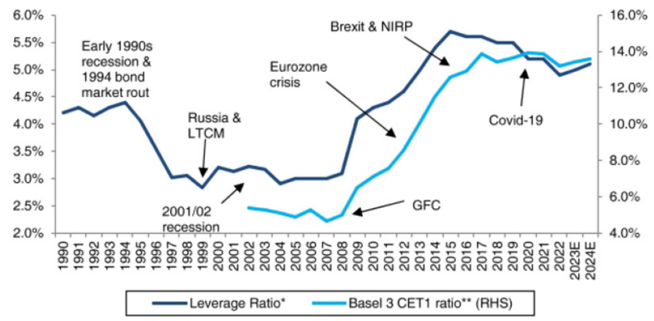
And now what about AT1 bond future?

The regrettable and peculiar treatment of CS bondholders in Switzerland should not cause a credit crunch and recession in the Eurozone.

AT1 is a liquid asset class, majorly held by institutional investors and any consternation caused by Swiss regulators not respecting the creditor hierarchy at Credit Suisse should been seen as an idiosyncratic event.

European banks are in a much stronger capital and liquidity position than in 2008 or 2012.

European bank's capital levels are at multi decade highs



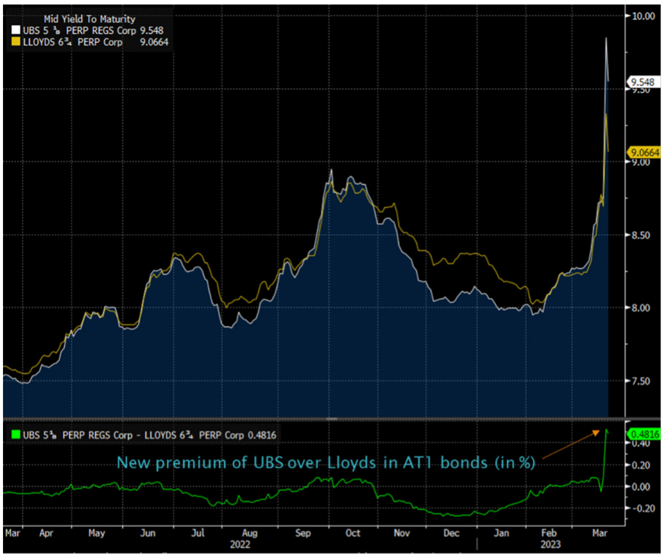
Source: ECB - 22nd of March 2023

The Eurozone and UK authorities have already provided welcome reassurance to credit investors via their press release. The Covid crisis is a good example of their policy towards credit investors, when in 2020 they temporarily decided the ban of dividends but maintained the payment of AT1 coupons.

In Europe, it would not be possible to write down Credit Suisse AT1 to zero whilst equity recovered value thanks to the Directive Resolution (BRRD). Eurozone authorities also stated in their statement "additional Tier 1 will remain an important component of the capital structure of European banks." This last point is very important for bank's future required capital levels. The AT1 market is therefore here to stay. Since their creation, AT1s have been issued by banks to optimize their capital structure, mainly by Global Systemically Important Financial Institutions (G-SIFI) and national champions, which have an ample market access.

In other words, this event is specific to Switzerland and not applicable to other regions as demonstrated by European regulators and the Bank of England speaking almost in unison to distinguish their approach from the one taken by FINMA. Swiss banks' AT1 will now require structurally higher risk premium than EU and UK. And they will also need to be clear about the way they treat investors and probably show more investor friendliness.

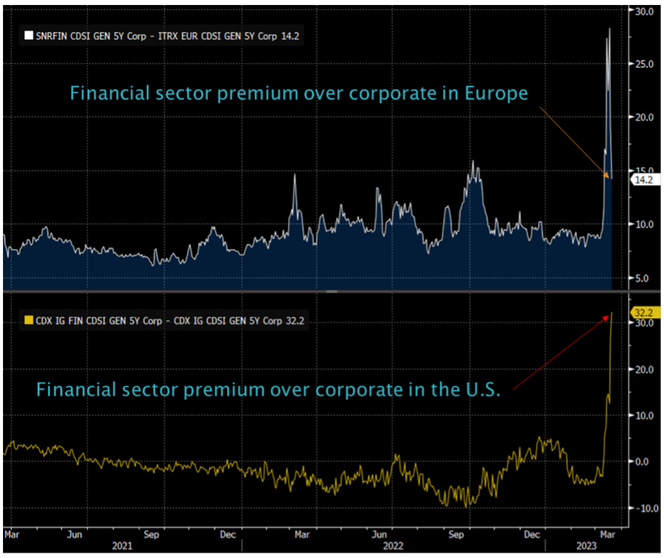
A new sustainable premium for UBS on its AT1 funding cost over its peers?



Source: Bloomberg - 22nd of March 2023

At the time of Credit Suisse fallout happened, the yields on major European banks' AT1 were trading at distressed levels, roughly the same as March 2020. But so far it seems that the Credit Suisse story is more an isolated risk. If we compare spread differentials between financial and corporate bonds on both sides of the Atlantic, the risk continues to materialize in the US, while in Europe it has retracted quickly.

A minor problem in Europe, a major problem in U.S.?



Source: Bloomberg - 22nd of March 2023

Conclusion

In conclusion, the main question we have is whether this sell-off in European banks' AT1 bonds is a buying opportunity or the first signs of a financial system freeze. It may indeed be a buying opportunity given the strong fundamentals of European banks. The risk reward is at a level rarely seen. But there will be a before and after to this case and the market is not out of the woods yet given what is happening in the US and their financial system. In the meantime, Goldman Sachs has already indicated that it will file a lawsuit, following by other investors to enforce the hierarchy of claims.

INVESTMENT THEME

How the Apple watch could change the daily life of diabetics

The firm from Cupertino has made further progress towards integrating a blood glucose meter into its Apple watch.

Diabetes, a worldwide plague

Diabetes is a chronic disease that occurs when the pancreas does not produce enough insulin or the body does not properly use the insulin it produces. This serious disease is a major cause of blindness, kidney failure, heart attacks, strokes lower limb amputations and even death if not treated properly.

Being overweight and sedentary increases the risk of type II diabetes (insulin resistance), which is the most common. It can develop for a long time without symptoms, so prevention therefore plays an important role. Type I diabetes (insufficient insulin production) occurs during childhood. It is much more difficult to detect and often takes parents by surprise.

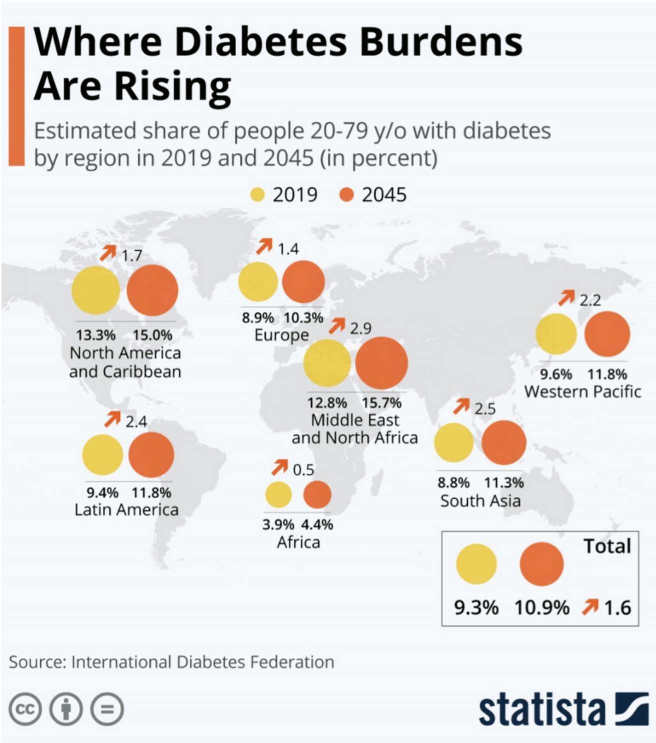
The International Diabetes Federation estimates that 540 million adults are living with diabetes, or 1 in 10 people. This figure is expected to rise to 643 million by 2030 and 783 million by 2045.

More than 3 out of 4 adults with diabetes live in low- and middle-income countries. In Switzerland, it is estimated that nearly 500,000 people have diabetes, of which about 40,000 have type 1 diabetes.

Diabetes was responsible for 6.7 million deaths in 2021, or 1 death every 5 seconds. The disease has resulted in at least $966 billion in healthcare expenditures, an increase of 316% over the past 15 years.

541 million adults have impaired glucose tolerance, putting them at high risk of contracting type 2 diabetes. In other words, the number of people with diabetes or at high risk of developing it is more than one billion worldwide.

Percentage of people affected by diabetes by region in 2019 (yellow) and estimated for 2045 (orange)



Only people who have diabetes (or who have someone close to them who has diabetes) are aware of the physical and psychological constraints stemming from this disease. People with diabetes must check their blood sugar levels several times a day to prevent them from becoming too low (hypoglycaemia) or too high (hyperglycaemia). To do this, diabetics must prick their finger to obtain a drop of blood to be tested by a small machine (left image). An alternative to this process is the free Freestyle (right image), a sensor to be fixed on the arm or the belly (this operation has to be repeated on average once a week after a small local anesthesia). Diabetics have to inject insulin several times a day via a syringe or via an insulin pump connected to a catheter usually fixed on the buttock or the stomach. These operations and devices are obviously restrictive, invasive and not very aesthetic.

The Apple Watch will host a blood glucose meter for diabetics

The 1st version of the Apple Watch was released in April 2015. To date, over 100 million people are using this connected watch, which in addition to giving the time is permanently synchronized with their iPhone, allowing it to display notifications (calls, SMS, social networks, etc.) in real time.

But the Apple Watch is also equipped with applications that help you monitor your well-being by allowing you to track your medication, protect your hearing from loud sounds or receive reminders to wash your hands.

Apple is betting more than ever on its range of connected watches to improve the health of its users by integrating into the Apple Watch a heart sensor or an accident detector. And according to a new information from Mark Gurman (Bloomberg), the Cupertino firm is getting closer to integrating a non-invasive blood glucose meter to the Apple Watch. This technology is obviously highly anticipated by the diabetic community, who will then be able to read their blood sugar levels from their wrists, without having to undergo any invasive interventions.

Called E5, this project is still at the "proof of concept" stage. The technology is viable but the size needs to be condensed. A prototype as big as an iPhone is being developed. The technology could be integrated into the watch in a few years, once the size of the meter has been reduced sufficiently.

To measure blood sugar without taking blood, Apple is developing a silicon photonic chip that uses optical absorption spectroscopy to send laser light under the skin to determine glucose concentration in the body. In simple terms, these are lasers that will measure glucose concentration under the skin.

Taiwan Semi Conductors (TSMC) developed the main chip to power the prototype. On the Apple side, hundreds of engineers from the Exploratory Design Group (XDG) are working on this project and hundreds of millions of dollars have already been invested to develop this system.

Apple began working on alternative glucose monitoring after purchasing RareLight in 2010 under the leadership of Steve Jobs. For many years, Apple used a startup called Avolante Health LLC to quietly work on the project in a secret facility before transferring it to XDG.

The under-the-skin glucose-sensing technology has been in human trials for 10 years, with Apple using a test group of people with pre-diabetes and type 2 diabetes, as well as people who have not been diagnosed with diabetes.

Apple's regulatory team is in preliminary discussions to obtain government approval for the technology.

Who will the blood glucose meter for the Apple Watch be used for?

With regular blood sugar readings from the Apple Watch in a non-invasive way, diabetics will be able to keep a stable glucose level.

Apple also wants to be able to warn people if they are pre-diabetic, which would allow them to make lifestyle changes before diabetes sets in completely (we are talking about type 2 diabetics here, which differs from type 1 diabetics aka insulin-dependents).

But blood glucose monitoring is not just for diabetics. It is in everyone's interest to minimize blood sugar spikes and dips. Thus, an Apple Watch equipped with a glucose monitor could become the first smartwatch for all health-conscious people. The integration of artificial intelligence could further improve the possibilities for analysis and prevention of diseases and accidents.

Having already disrupted the fields of smartphones, personal computers, music and payments, Apple could soon, thanks to this new technology, establish itself as a key player in the healthcare industry. And change the lives of those who really need it.

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