“A dangerous ambition more often lurks behind the specious mask of zeal for the rights of the people, than under the forbidding appearance of zeal for the firmness and efficiency of Government.”

– Alexander Hamilton, First US Secretary of the Treasury

Summary

By now, it must be abundantly clear to even the most ardent of Europhiles, that the level of debt, particularly that of Italy and Spain (and soon France) is unsustainable. This, especially in light of the ongoing Covid-19 induced global contraction of yet-unknown magnitude. If the Euro currency is to survive, then a European fiscal union has to take place sooner rather than later.

The Franco-German proposal for a €500 billion European Recovery initiative announced last week – financed by bonds issued by the European Union (EU), directly in its name and guaranteed by its revenues has got Europhiles calling it – Europe’s “Hamiltonian moment,” referencing Alexander Hamilton, the first US Secretary of the Treasury. Details remain sketchy and the proposal has already met with opposition from member nations. Additionally, the initiative does not make provisions for a permanent increase in the EU’s meagre annual budget of €165 billion or give the European Commission the ability to raise funds under its name. The Recovery Fund is therefore not a “Hamiltonian moment,” by any stretch of the imagination.

The S&P 500 index (SPX) reached the 3,000 levels this week and is now trading back above its 200-day moving average, for the first time since February 27. Very reassuringly, we are now seeing a broadening out of the rally and a move away from stocks benefiting from a surge in “work from home.” Financial and industrial stocks have rallied this week as have other “re-opening” economy stocks in the leisure, consumer and travel sectors. This means that the SPX could easily get to over 3,100. I would, however, keep an eye on the 3,080 level, where the SPX broke down in March. The technology sector has rallied massively of late and may not have the legs to keep carrying on, particularly as GDP growth will suffer and sentiment and price-earnings (P/E) multiple expansion can only carry stocks so far. Fears of a second wave of coronavirus infections are not going away and the long-lasting economic fallout from stay-at-home orders and escalating trade tensions with China will only weigh on equities over the summer months.

Europe’s Hamiltonian moment? Probably not

Since the introduction of the Euro over two decades ago as the “single currency” of the European Monetary Union, several commentators and economists have pointed to the inherent flaws and fragility of this Union – namely, the lack of shared financial and banking systems or the existence of a common fiscal authority.

After the 2008 financial crisis, some progress was been made on the banking system front, although it still remains an incomplete Union, without a Euro area-wide common deposit insurance scheme.

On the fiscal front, a rescue fund, the European Stability Mechanism (ESM) was created in 2012 – with a

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

maximum lending capacity of €500 billion – to help nations in financial distress. The real help however over the last decade or so has come from the European Central Bank's (ECB) aggressive monetary easing and asset-buying programs, under the leadership of Mario Draghi, its former President.

Draghi's "whatever it takes" speech in July 2012, has done more to keep the Eurozone together than any other political initiate before or since.

By now, it's abundantly clear to even the most ardent of Europhiles that the level of debt particularly that of Italy and Spain (and soon France) is unsustainable, especially in light of the ongoing Covid-19 induced global contraction of yet-unknown magnitude. If the Euro is to survive, then a full fiscal union or a near fiscal union has to take place sooner rather than later.

German Chancellor Angela Merkel holds a joint video news conference with French President Emmanuel Macron, May 18, 2020

Source: Kay Nietfeld/Pool via REUTERS

Therefore, the unveiling at a socially-distanced press conference last week of the Franco-German proposal for a €500 billion European Recovery initiative – financed by bonds issued by the European Union (EU), directly in its name and guaranteed by its revenues, instead of using funds raised by national governments – has got many market and economic commentariat quite excited.

Can this really be the first step to a fiscal union or is it just another episode of an EU muddle-through?

Only time will tell. Details remain sketchy and the proposal has many teething issues to be debated and resolved but it hasn't stopped the Europhiles from calling it – Europe's "Hamiltonian moment." The reference is to Alexander Hamilton (1755-1804), the first US Secretary of the Treasury. I would recommend caution.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Firstly, at this stage, it's just a proposal and the Frugal Four as they are known- Austria, Netherlands, Denmark and Sweden, were quick out of the blocks to express their opposition to various elements of the plan. Over the weekend, they announced their counter-proposal, binning the key idea of the Franco-German proposal of debt-pooling. German Chancellor Angela Merkel and French President Emmanuel Macron now have to rally the other EU 27 nations to their vision of an EU that can tax, borrow and spend. However, all it takes is just one veto – and the plan collapses.

Alexander Hamilton is one of the few American figures featured on the US currency, who was never actually President. He features on the $10 currency note. George Washington ($1), Abraham Lincoln ($5), Andrew Jackson ($20), and Ulysses S. Grant ($50) are the Presidents that appear on US currency notes.

Alexander Hamilton, First US Secretary of the Treasury

Big Reversal Years

Largest Reversals for S&P 500 Index to Close Higher in The Same Year

Year	Date of Lows	Max Year-To-Date Loss	Total Year Return
1933	2/27/1933	-20.1%	44.1%
1935	3/14/1935	-15.2%	41.4%
1938	3/31/1938	-19.4%	24.5%
1942	4/28/1942	-14.0%	12.4%
1949	6/13/1949	-10.9%	10.5%
1982	8/12/1982	-16.4%	14.8%
1984	7/24/1984	-10.4%	1.4%
2009	3/9/2009	-25.1%	23.5%
2016	2/11/2016	-10.5%	9.5%
2020	3/23/2020	-30.7%	?

Source: LPL Research, FactSet 4/12/2020
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

Source: United States Treasury Bureau of Engraving and Printing

When George Washington became the first President of the United States, he made Hamilton the country's first secretary of the Treasury. Hamilton learned about central banking at an early age, when he read about how the Bank of England (BoE) provided liquid capital as a way to expand commerce – which in turn helped Great Britain become a global trading power. Drawing on readings on political economy, credit markets, and central banking, Hamilton set the ball rolling for a historic constitutional comprise between the northern and the southern states that transformed the young United States nation from a largely rural and agrarian country into a commercial powerhouse.

The key feature of the plan was the US federal government consolidating the debt incurred by the US states during the War of Independence into US Treasury debt, laying the foundation for a strong central federal government, which could tax and issue debt in its name and thus expand the supply of money with the help of the central bank at the time – the First Bank of the United States – which Hamilton helped set up. This is known as the "Hamiltonian moment"

What the EU Recovery initiative does not do, is make provisions for a permanent increase in the EU's meagre annual budget of €165 billion or give the European Commission the ability to raise funds under its name. Nor will the existing debts of EU nations be subsumed into joint obligations of the union, as done by Hamilton's plan. The possibility of a new debt shared jointly among all EU countries – the so-

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

called "coronabond" – has already been jettisoned. The Recovery fund is therefore not a "Hamiltonian moment" by any stretch of the imagination. At best, it is an apt historical reference perhaps, but the America of the 1780s and 90s couldn't be more different than the present-day EU.

The American States then, as they are now, are still far more homogeneous in terms of culture, ideology, and their views of the purpose of money, the role of government in the lives of people collectively and individually – than Europe ever has been or will ever be. That homogeneity of political and economic principles is critical to holding together any sort of fiscal union. The situation of the member states of the EU is vastly different and in many ways is the exact opposite of the US. EU nations were formed over several centuries and throughout that, they have kept their language, currencies, distinct culture and ideologies. So will the EU ever have its "Hamiltonian moment"?

I have always been a sceptic of the EU and I don't believe there will ever be the United States of Europe. Without a fiscal union however, the Euro cannot survive. Therefore, the bigger risk – the dissolution of the Euro – will focus even the hard-core nationalist German mind, as Germany has been the single largest beneficiary of the Euro.

Markets and the Economy

In the last month's newsletter, I wrote: "I feel even more positive about the equity markets than last month. I also feel that the SPX could ramp up not just over 3000 but set new highs later this year as many investors are still beholden to their bearish bias ignoring the amount of stimulus money that is flowing in or set to flow into the system."

The S&P 500 index (SPX) reached the 3,000 levels this week i.e. it is now trading back above its 200-day moving average for the first time since February 27.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Source: Bespoke Investment Group

The 200-day moving average is seen as a classic momentum indicator and some investors view it as a signal to go long above this level, but not below it. Very reassuringly, we are now seeing a broadening out of the rally and a move away from stocks benefiting from a surge in "work from home." Financial and industrial stocks have rallied this week as have other "re-opening" economy stocks in the leisure, consumer and travel sectors.

This means that the SPX could easily get to over 3,100. I would, however, keep an eye on the 3,080 level, where the SPX broke down big in March. I don't see such a risk this time.

At its lows, the SPX was down more than -30% in 2020 and remains down -6% YTD. All previous reversals of -10% and over (see table below), have finished the year on a positive note. Can 2020 do the same? I suspect it can and it will.

Big Reversal Years

Largest Reversals for S&P 500 Index to Close Higher in The Same Year

Year	Date of Lows	Max Year-To-Date Loss	Total Year Return
1933	2/27/1933	-20.1%	44.1%
1935	3/14/1935	-15.2%	41.4%
1938	3/31/1938	-19.4%	24.5%
1942	4/28/1942	-14.0%	12.4%
1949	6/13/1949	-10.9%	10.5%
1982	8/12/1982	-16.4%	14.8%
1984	7/24/1984	-10.4%	1.4%
2009	3/9/2009	-25.1%	23.5%
2016	2/11/2016	-10.5%	9.5%
2020	3/23/2020	-30.7%	?

Source: LPL Research, FactSet 4/12/2020
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.
The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

While the rally has been spot on from an oversold position. I do now believe that it may stall over the coming weeks as the SPX reached 3,100. The technology sector has rallied massively of late and may not have legs to keep carrying on, particularly as GDP growth will suffer and sentiment and price-earnings (P/E) multiple expansion can only carry stocks like Shopify (SHOP) so far. Fears of a second wave of coronavirus infections are not going away and the long-lasting economic fallout from stay-at-home orders and escalating trade tensions with China will only weigh on equities over the summer months. Don't forget that over 30 million Americans are still unemployed and while liquidity is not a concern, solvency of small businesses will be.

Lingering questions remain – Will planes fly half-empty until a vaccine is found? Will we ever be able to try on clothes in the shops again or try on shoes or browse in a bookstore? If not, will that affect our decision to buy? Perhaps it may postpone such a decision until later, thereby keeping GDP growth from getting back to normal.

The road back from today to pre-coronavirus days is going to be long or as Federal Reserve Bank of New York President, John Williams put it – "let's not forget this is an extreme decline in economic activity, an enormous hardship for people in this country. So even if we are starting to see perhaps stabilization there in terms of the economy and maybe a little pickup, we are still in a very difficult situation."

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

A sharp sell-off in the SPX, however, is unlikely. Near-zero interest rates and the US Federal Reserve's (Fed) buying of corporate bond ETFs are going to carry on. The Fed is also considering what's called Yield-Curve Control (YCC), where the Central Bank takes action to actively manage borrowing costs across different maturities. The need for a YCC policy may not be urgent as there is little doubt in anyone's mind that rates will stay low for a long time to come. Also, as various parts of the economy re-open, equities will form a solid base on the downside with earnings estimates starting to increase.

As I have written since calling the March SPX lows, the ramp-up usually is always a slow burn compared to the sell-off, so be careful not to be too bearish. We have seen a near +34% rally in the SPX since the March lows, although it may not feel like that for those still holding on to cash. The rally, of course, has not been broad-based and major US financial stocks such as – Citi (C US), JP Morgan (JPM US), and Bank of America (BAC US) are still down more than -30% year-to-date, as are industrial and energy sector stocks.

The ECB's ability to purchase bonds under a longstanding program came under fire earlier this month when a top German court demanded to know the justification for the program, prompting concern about the ECB's ability to backstop the region's debt markets. However, that concern seems to have been side-lined for now and European stocks are rallying in the wake of the "Hamiltonian moment" hope. I would suggest using the rally to sell long positions and re-position for a sell-off in European equities. My overweight continues to be US equities where both the outlook and return look much better.

I am not bullish on Emerging Markets (EM) equities at all and see them as a significant drag on performance.

I forecast a crisis building up in EMs and particularly in India if the lockdown continues. Listening to India's Finance Minister Nirmala Sitharaman last week felt as if she was giving an online swimming lesson to someone who was drowning. It's easy to shut down and economy, but difficult to reboot it and India is heading towards its first recession since 1979. It is one thing to say we will re-open, quite another to get it going. There has been little economic activity in India since March and the fourth phase of the lockdown started a week ago. The fiscal support offered is modest and mostly ineffective and will not have big impact. These factors also easily apply to other EM nations too.

Benchmark Equity Index Performance (2019 & YTD)

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Ticker	Name	Country	2019 Performance	2020 Year-to-Date Performance
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	US	29.2%	-25.1%
XLK US Equity	TECHNOLOGY SELECT SECTOR SPDR	US	47.9%	5.1%
XLV US Equity	HEALTH CARE SELECT SECTOR SPDR	US	17.7%	-2.4%
XLE US Equity	ENERGY SELECT SECTOR SPDR	US	4.7%	-34.1%
XLY US Equity	CONSUMER DISCRETIONARY SELECT SECTOR SPDR	US	26.7%	-1.8%
XLI US Equity	INDUSTRIAL SELECT SECTOR SPDR	US	26.5%	-18.4%
XLP US Equity	CONSUMER STAPLES SELECT SECTOR SPDR	US	24.0%	-8.3%
XLU US Equity	UTILITIES SELECT SECTOR SPDR	US	22.1%	-12.0%
XLB US Equity	MATERIALS SELECT SECTOR SPDR	US	21.6%	-11.5%
XLRE US Equity	REAL ESTATE SELECT SECTOR SPDR	US	24.7%	-12.7%
XLC US Equity	COMM SERV SELECT SECTOR SPDR	US	29.9%	0.4%
Source: Bloomberg				

From a safety point of view, the Consumer Staples (XLP) and Healthcare (XLV) sectors are my favourites, however, as the economy keeps re-opening the gains are more likely to come from Consumer Discretionary (XLY), Industrials (XLI) Communication Services (XLC), and Technology (XLK) sectors.

For specific stock recommendations, please do not hesitate to get in touch

Best wishes,

Manish Singh, CFA

“If you are filled with pride, then you will have no room for wisdom”

– African proverb

Summary

The difference in approach taken by Sweden and the UK to deal with the COVID-19 outbreak has again led to a debate about basing significant policy action on computer models alone. Whether you are drawn to the Swedish or the UK approach is not a matter of how many more deaths you are willing to accept. The fact is, herd immunity is where we are all heading. We have herd immunity against many diseases and this is achieved via a vaccine or through the controlled spread of a virus. Your choice of one approach over the other is unlikely to be entirely down to your assessment of the science. It’s more likely a complex combination of your mental and physical age, politics, your life experience, as well as your attitude to risk, amongst other factors. Both the Swedish and the UK teams are made up of highly

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

accomplished scientists, doing their best to understand a pandemic. It is down to policymakers to take their advice and make a judgement call which should take into account more than forecasts from a computer model. The epidemiologists and their forecasting models have never been under wider public and social media scrutiny. A vigorous debate is to be had once this is over!

Tuesday marked a key milestone in the US equity market's rally from its late March lows. It was the first time since February 21 that the S&P 500 (SPX) opened above its 50-day Moving Average (MA) and stayed there the entire trading day. The US monetary and fiscal policymakers' efforts to preserve household incomes and stop the massive bankruptcies, of the sort which ensured that the crash of 1929 turned into the Great Depression of the 1930s, should be applauded. Beyond the US, we have also seen massive fiscal and monetary action too and all that money will keep flowing into the real economy as activity picks up. So those caught up in a valuation fetish and looking for the March lows to be re-tested, may be in for a massive disappointment. As you may have gathered by now, I feel even more positive about the equity markets today than I did last month.

Trust but verify

Do you remember when IBM's Watson took part in the quiz show Jeopardy! against two champion players – Brad Rutter and Ken Jennings?

This was nearly ten years ago. Watson, of course, won the contest (and the $1 million), but when Watson gave a wrong answer, it was spectacularly wrong. For instance, in the category "US CITIES," in response to the question – "Its largest airport is named for a World War II hero and its second-largest, for a World War II battle."

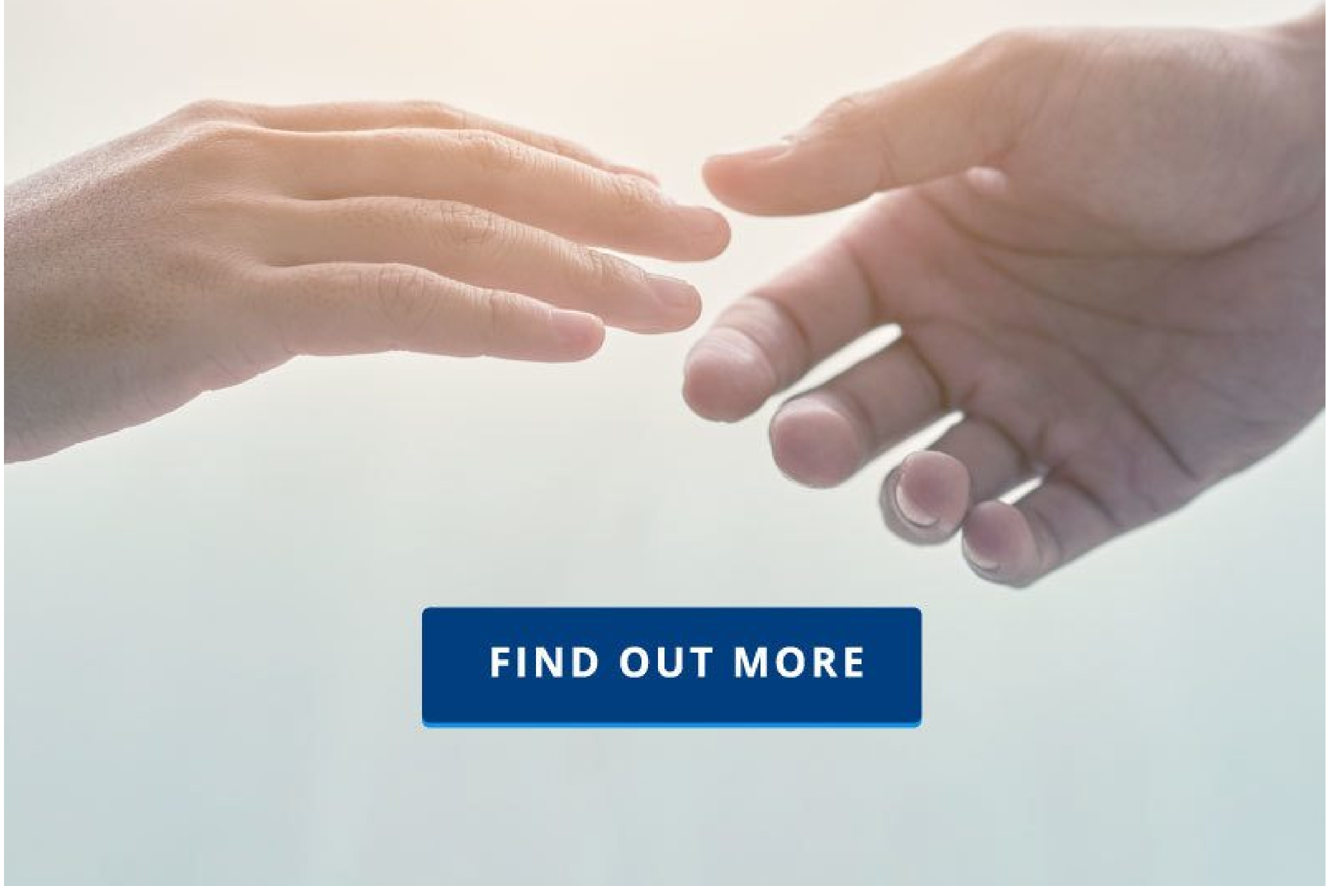
Watson's answer was "Toronto," which as many of you know is not in the US, but in Canada.

What this showed was the flaw of "computer models." They are good at crunching data and, more often than not, can be right. However, a model or simulation is only as good as the rules used to create it. Putting your full confidence and faith in computer models and acting upon their forecasts, may not always be the best course of action.

The difference in approach taken by Sweden and the UK to deal with the COVID-19 outbreak has again led to a debate about basing significant policy action on computer models alone. Like IBM's Watson, the forecasts made can be wrong and could lead to a non-optimal course of action being taken.

The UK's policy response has been guided by the team at Imperial College led by Professor Neil Ferguson. Ferguson described COVID-19 as "a virus with comparable lethality to H1N1 influenza in 1918." The 1918 virus better known as "Spanish flu" is estimated to have killed 50 million people worldwide. To date, just over 228,000 people have died from COVID-19 worldwide and the growth rate of new cases continues to fall.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.



Former US President Ronald Reagan used to say: “Trust but verify.” So I have looked into the past predictions of the Imperial College team as reported by The Times newspaper and have found that the Imperial team’s forecasts have previously been as spectacularly wrong as IBM Watson’s response to some questions on the quiz show. For example, Ferguson was behind the disputed research that sparked the mass culling of more than 11 million sheep and cattle during the 2001 epidemic of foot and mouth (FMD) disease, a crisis which cost the UK billions of pounds.

He also predicted that up to 150,000 people could die from bovine spongiform encephalopathy (BSE, or “mad cow disease”) and its equivalent in sheep if it leapt to humans. To date, there have been fewer than 200 deaths from the human form of BSE and none resulting from sheep to human transmission. A subsequent government inquiry was damning of the general approach and said: “The culling policy may not have been necessary to control the epidemic, as was suggested by the models….it must be concluded

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

that the models supporting this decision were inherently invalid.”

Eight years later in 2009, Ferguson, then an advisor to the government and the World Health Organisation (WHO), sounded the alarm over swine flu, warning that it could cost up to four million lives globally and he floated a study on the antiviral benefits of closing all UK schools. In the end, the schools stayed mostly open and the worldwide death toll was 18,500 (not 4 million as predicted). There was again an inquiry — which concluded that ministers had treated modellers as “astrologers”, asking them to provide detailed forecasts when they had too little data.

Imperial’s forecasting model is also subject to many challenges in the academic world. Thankfully we do not have a pandemic that often – which also gives you an insight into how few cases the computer models have to learn and forecast from in order to understand their limitations. Diseases and illnesses have plagued humanity since the earliest of days. The table below outlines some of history’s deadliest pandemics, from the Antonine Plague to the current COVID-19.

Global Pandemics over the years

Global Pandemics	Death Toll (Estimated)	World Population (Estimated)	% of Global Population
Antonine Plague (165-180)	7,500,000	201,145,422	3.73%
Plague of Cyprian (250-266)	1,000,000	201,145,422	0.497%
Plague of Justinian (541-542)	60,000,000	210,453,894	28.51%
Japanese Smallpox (735-737)	2,000,000	230,487,534	0.868%
Black Death (1347-1351)	200,000,000	475,000,000	42.11%
New World Smallpox Outbreak (1520)	6,500,000	484,407,332	1.342%
Cocoliztli Epidemic (1545-1548)	15,000,000	484,407,332	3.097%
Italian Plague (1629-1631)	280,000	550,188,206	0.051%
Great Plague of Sevila (1647)	2,000,000	551,574,859	0.363%
Great Plague of London (1665)	100,000	551,574,859	0.018%
Great Plaque of Marseille (1720)	100,000	770,000,000	0.013%
Russian Plague (1770-1772)	100,000	770,000,000	0.013%
Persian Plague (1772)	2,000,000	770,000,000	0.260%
Cholera Pandemics 1-6 (1817-1923)	1,000,000	1,600,000,000	0.063%
Third Plague (China and India) (1885)	12,000,000	1,514,788,097	0.792%
Yellow Fever (US) (Late 1800s)	125,000	1,539,962,498	0.008%
Russain/Global Flu (1889-1890)	1,000,000	1,557,214,782	0.064%
Encephalitis Lethargica (1915-1926)	1,500,000	1,811,012,000	0.083%
Spanish Flu (1918-1919)	50,000,000	1,832,196,157	2.73%
Asian Flu (1957-1958)	2,000,000	2,857,662,910	0.070%
Hong Kong Flu (1968-1970)	1,000,000	3,682,487,691	0.027%
HIV/AIDS (1981-present)	30,000,000	5,309,667,699	0.565%
SARS (2002-2003)	770	6,360,764,684	0.00001%
Swine Flu (2009-2010)	203,000	6,929,725,043	0.003%
Ebola (2014-2016)	11,000	7,464,022,000	0.00015%
MERS (2015-Present)	850	7,464,022,000	0.00001%
COVID-19 (2019-Present)	178,000	7,713,468,000	0.002%

Source : Deutsche Bank, Federal Reserve Bank of San Francisco,wikipedia.org/wiki/List_of_epidemics and various online references within, OurWorldinData

This interview with Professor Johan Giesecke, one of the world’s most senior epidemiologists and an

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

advisor to the Swedish Government is a must-see. Giescke is the brains behind the Swedish COVID-19 strategy and he hired Anders Tegnell, Sweden's chief epidemiologist, who is currently directing Sweden's COVID-19 strategy.

In the interview, Professor Giesecke lays out in typically Swedish direct way, why he thinks the UK policy on lockdown (and that of other European countries) is not evidence-based. In his opinion, the correct policy is to protect the old and the frail only, as Sweden has done, and that this will eventually lead to "herd immunity" (an epidemiological concept where a population is sufficiently immune to disease) as a by-product. Herd immunity was the initial UK response, before the "180 degree U-turn" in favour of a lockdown. He also argues that the Imperial College model is "not very good," far too pessimistic and any such models are a dubious basis for public policy. He has never seen an unpublished paper have so much policy impact. In his opinion, the flattening of the curve is due as much to the most vulnerable dying first as to the lockdown. He concluded that the results will eventually be similar for all countries and it was the novelty of the disease that scared people. The actual fatality rate of COVID-19 is in the region of 0.1%.

A busy park during the Covid-19 pandemic in Stockholm, Sweden, April 22

Source: ANDERS WIKLUND/ASSOCIATED PRESS

Now whether you are drawn to the Swedish or the UK approach is not a matter of how many more deaths you are willing to accept. The fact is, herd immunity is where we are all heading. We have herd immunity against many diseases and this is achieved via a vaccine or through the controlled spread of the virus. Your choice of one approach over the other is unlikely to be entirely down to your assessment of the science. It's more likely a complex combination of your mental and physical age, politics, your life experience, your attitude to risk and your relationship to authority amongst other things.

Both Giesecke and Ferguson are highly accomplished scientists, doing their best to understand a pandemic. It is down to policymakers to take their advice and make a judgement call which takes into account more than forecasts from a computer model. The epidemiologists and their forecasting models have never been under wider public and social media scrutiny. A vigorous debate is to be had once this is over!

Markets and the Economy

Tuesday marked a key milestone in the equity market's rally from its late March lows. It was the first time since February 21 that the S&P 500 (SPX) opened above its 50-day Moving Average (MA) and stayed there the entire trading day. That is a big positive, but the SPX has to stay over 50-day MA for a few days in a row to build confidence among the bulls. The next area of resistance for the market is just above 2,900, and then after that the 200-day MA at just above 3,000.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Source: Bespoke Invest

In my March newsletter Market Viewpoints I said: "I feel more assured that the market is bottoming …$2 trillion stimulus plan is a powerful weapon which short-sellers won't want to face and buyers won't want to miss." Fast forward four weeks and we are almost 400 points higher on the SPX as it has eclipsed the 2900 level. The SPX has gained over +30% from its March lows and, on a 12-month basis, the SPX is now down only -0.21%.

The US monetary and fiscal policymakers' efforts to preserve household incomes and stop the massive bankruptcies of the sort which ensured that the crash of 1929 turned into the Great Depression of the 1930s, should be applauded.

On the household income side, the US has expanded unemployment insurance eligibility at both the State and Federal level, so that almost anyone who cannot work due to COVID-19 disruption, is covered. The over 26 million American workers who have filed jobless claims since mid-March, will get an extra $600 a week from the Federal government through July 31 in addition to State-level benefits. That should raise the average benefit across states to around $1,000 a week and comes on top of other benefits that low- and middle income workers can claim. All this adds up to working full time at $25 an hour.

The Federal minimum wage followed by 21 US states is $7.25 an hour and has been unchanged for a decade. Washington D.C. has the highest minimum wage at $14.00 per hour whilst California, Massachusetts, and Washington have the highest State minimum wage at $13.00 per hour.

What this means is that roughly half of all US workers stand to earn more in unemployment benefits than they did at their jobs before the coronavirus pandemic shut down wide swaths of the US economy. I would call that a powerful stimulus that the market has not yet seen the impact of. As the lockdown eases, the next leg of the rally will be driven by increased consumer spending. With shops and other venues closed and only essential items available to buy, the weekly and monthly outgoings for many was vastly reduced. That saving will find its way into the real economy sooner rather than later.

Benchmark Equity Index Performance (2019 & YTD)

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Ticker	Name	Country	Price	2019 Performance (USD)	2020 Year-to-Date Performance (USD)
SPX Index	**S&P 500 INDEX**	**US**	**2,940**	**28.9%**	**-9.0%**
CCMP Index	NASDAQ COMPOSITE INDEX	US	8,915	35.2%	-0.6%
INDU Index	DOW JONES INDUS. AVG	US	24,634	22.3%	-13.7%
SX5E Index	**Euro Stoxx 50 Pr**	**Europe**	**2,996**	**22.0%**	**-22.4%**
UKX Index	FTSE 100 INDEX	Great Britain	6,115	16.5%	-23.7%
DAX Index	DAX INDEX	Germany	11,108	22.7%	-18.7%
CAC Index	CAC 40 INDEX	France	4,671	23.6%	-24.2%
FTSEMIB Index	FTSE MIB INDEX	Italy	18,067	25.4%	-25.4%
IBEX Index	IBEX 35 INDEX	Spain	7,056	9.3%	-28.3%
NKY Index	**NIKKEI 225**	**Japan**	**19,771**	**17.1%**	**-14.8%**
MXEF Index	**MSCI EM**	**Emerging Markets**	**903**	**15.4%**	**-19.0%**
HSI Index	HANG SENG INDEX	Hong Kong	24,644	8.5%	-13.0%
SHCOMP Index	SHANGHAI SE COMPOSITE	China	2,822	23.8%	-8.9%
IBOV Index	BRAZIL IBOVESPA INDEX	Brazil	83,171	36.2%	-45.9%
IMOEX Index	MOEX Russia Index	Russia	2,663	15.8%	-25.7%
MXIN Index	MSCI INDIA	India	1,093	11.0%	-24.5%
MXTR Index	MSCI TURKEY	Turkey	1,272,907	35.0%	-27.5%
Source: Bloomberg					

On Wednesday this week, we learnt that in Q1 2020, US Gross Domestic Product (GDP) contracted at an annual rate of -4.8%. This is the steepest pace of contraction of US GDP since 2008. The contribution to the percentage change in real GDP from the Services sector was -4.99%, which explains all the decline in GDP. That shouldn't be a surprise as, like most economies, the US is mainly a Services economy and services were hit hardest given the lockdown. However, guess what the leading contributor to the decline in Services was? Answer: Reduced Healthcare spending.

That's right. The healthcare spending contribution to the percent change in real GDP was -2.25% i.e. nearly half of all the decline in Q1 GDP. In US Dollar terms, GDP in Q1′ 2020 fell by -$234 billion and US Healthcare Spending fell by -$110 billion. A healthcare emergency leads to GDP contraction/recession – led by – drum roll please -reduced healthcare spending. Who'd have thunk it? Think of all those regular treatments, elective procedures, non-critical operations, cancer scans, preventative visits – all postponed as people were advised to stay away to create capacity (rightfully) so as not to overwhelm the hospital system and give priority to COVID-19 cases. Since these are all delayed spending, one has to be careful and not be too bearish regarding US GDP growth for Q2 and the rest of the year.

Beyond the US, we have also seen massive fiscal and monetary action too and all that money will keep flowing into the real economy as activity picks up. So those caught up in a valuation fetish and looking for the March lows to be re-tested, may be in for a massive disappointment.

Over the weekend, the Bank of Japan (BOJ) replaced its previous target of buying about ¥80 trillion Yen of Japanese Government Bonds (JGB) annually, with a new pledge to buy as many bonds as needed to keep the 10-year JGB yield at zero. The BOJ also increased its limits on purchases of longer-term corporate bonds and short-term commercial paper by ¥15 trillion Yen to a new limit of ¥20 trillion Yen i.e. a three-fold increase to help meet the capital needs of corporates affected by the COVID-19 pandemic. It also doubled its annual limit on purchases of Exchange-Traded Funds and Real-Estate Investment Trusts to ¥12 trillion Yen.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

The BOJ’s move is the latest in a flurry of Central-Bank actions to combat the economic damage from the coronavirus. The US Federal Reserve (Fed) which was already buying investment-grade bonds, pledged on April 9 to purchase corporate bonds recently downgraded to junk status. The European Central Bank (ECB) has said it would accept some junk-rated bonds as collateral for its loans and the Bank of England (BOE) has spared no effort to help UK corporates.

The response to COVID-19 by various Central Banks is redefining the role, and remit, of monetary policy – like never before. By lending widely (directly or indirectly) – to businesses, states, municipal corporations, investment funds etc. to insulate the economy and avoid a 1930s-like depression, Central Banks are breaking century-old taboos about who gets money in a crisis and on what terms. Wide-scale direct financing of fiscal deficits isn’t too distant.

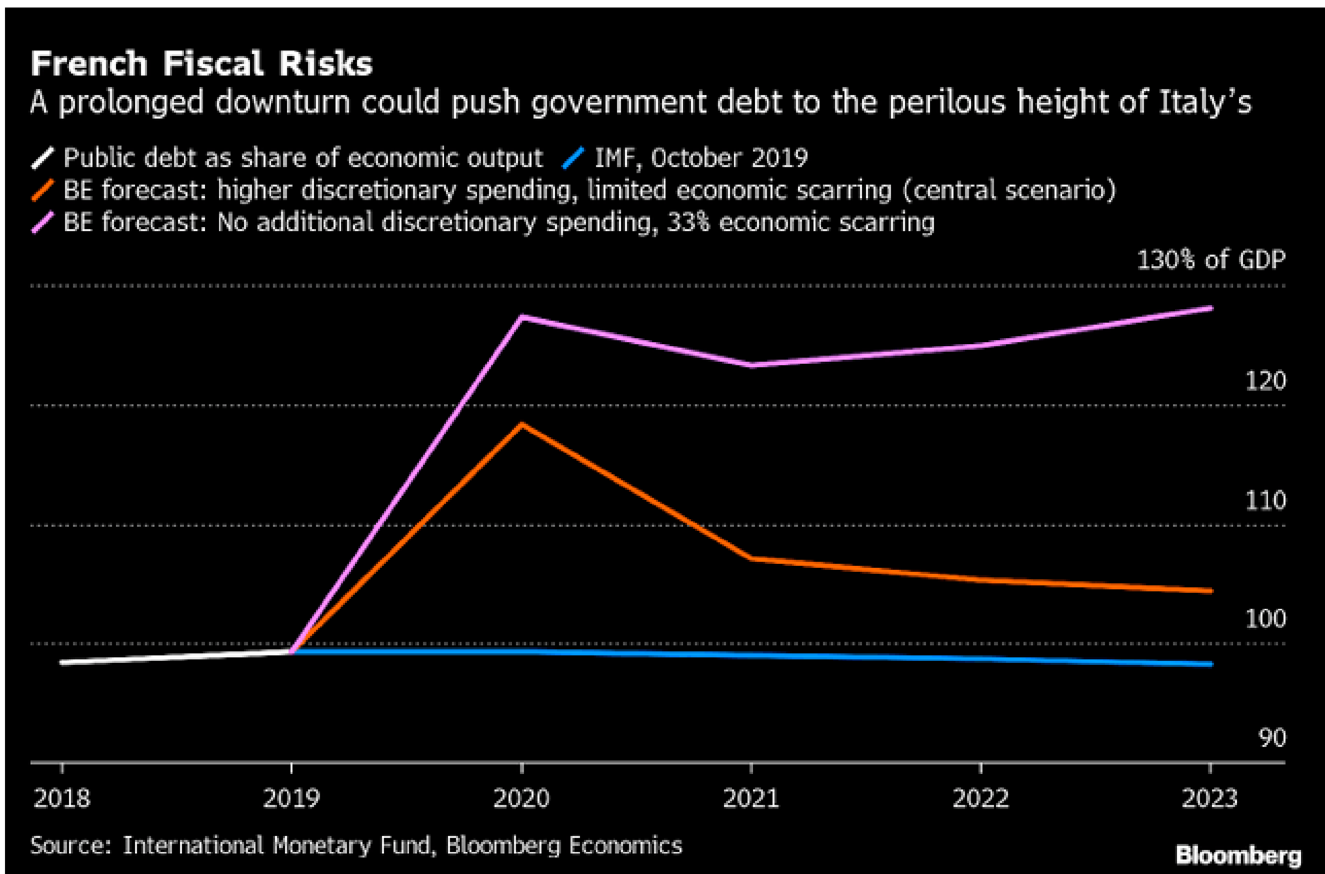
It’s worth reflecting how shocked we all were by Quantitative Easing (QE) in 2009. Those extraordinary measures never really faded away despite having been widely viewed as “temporary.” The baseline is – Central Banks and fiscal authorities will do what it takes to keep the system from collapsing. If some gasp, then so be it. There is no external moral authority to run the world system. So blaming Central Banks is an exercise in futility and virtue signalling, when they’ve been tasked with the job to keep the system from disintegrating.

“None of us have the luxury of choosing our challenges; fate and history provide them for us,” Fed Chairman Jerome Powell said in a speech this month. “Our job is to meet the tests we are presented.” The Fed and Powell deserve all the applause for dealing with the fallout of COVID-19 with great timeliness and competence. It is not to say Central Banks should continue to choose losers and winners. In that, I entirely agree with Oaktree Capital’s Howard Marks’ comment – “Capitalism without bankruptcy is like Catholicism without hell.” Securities regulators have their job cut out once the COVID-19 crisis is over.

Meanwhile in the Eurozone, the Italian, French and Spanish demand for a vast issue of “corona bonds” jointly guaranteed by all EU governments has fallen on deaf ears in Germany and Netherlands. One reason French President Emmanuel Macron has put his weight behind the “corona bonds” is that the economic consequences of dealing from COVID-19 could turn France’s debt into another Italy (as the chart below indicates). France’s debt/GDP ratio could vault to over 120%, following Italy’s experience in the aftermath of 2008-09.

France – Government debt projections

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.



Italian public opinion is shifting against the Europe Union (EU), such is the disappointment with the way the EU has handled the COVID-19 crisis. If Germany continues to prevent pan-European "solidarity," Italy's departure from the EU may be more likely than ever. The market will then waste no time in pricing more exits. Germany must be aware of this risk and therefore it's very likely they will show some form of contrition and help mitigate departures from the EU or indeed the very break-up of the Euro.

In this respect, George Soros' proposal for the EU to raise the over €1 trillion needed for the European Recovery Fund to fight the COVID-19 pandemic by selling "Perpetual bonds" on which the principal does not have to be repaid has made everyone take notice. Particularly those that are bearish on Eurozone assets.

Soros makes a powerful plea in saying – "The EU is facing a once-in-a-lifetime war against a virus that is threatening not only people's lives, but also the very survival of the Union. If member states start protecting their national borders against even their fellow EU members, this would destroy the principle of solidarity on which the Union is built." A €1 trillion Perpetual bond with a 0.5% coupon would cost the EU a mere €5 billion per year, less than 3% of the 2020 budget.

It's worth noting that one of the oldest examples of a Perpetual bond was issued in 1648 by the Dutch water board of Lekdijk Bovendams. It is currently in the possession of Yale University, the interest was most recently paid by the eventual successor of Lekdijk Bovendams.

As you may have gathered by now, I feel even more positive about the equity markets than last month. I also feel that the SPX could ramp up not just over 3000 but set new highs later this year as many investors are still beholden to their bearish bias ignoring the amount of stimulus money that is flowing in

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

or set to flow into the system.

Nobody knows if there will be a second wave of COVID-19 in the winter and should there be one, then the template is very clear: Social distancing, more fine-tuned lockdowns and fiscal support. Debts and deficits may increase and puritans may not like the levels, but this is about the real economy, real life and not academic debates anymore. Besides, the level of debt alone is not the defining factor. The debt service cost is what matters. The Fed's target Federal Funds rate is effectively zero, and 10-year Treasury yields are below +1% for the first time. Don't expect this to reverse and increase anytime soon.

The Consumer Staples (XLP) and Healthcare (XLV) sectors are my favourite sectors at this time, although big gains will likely come from the Consumer Discretionary (XLY), Communication Services (XLC), and Technology (XLK) sectors. For specific stock recommendations, please do not hesitate to get in touch.

Benchmark US equity sector performance (2019 & YTD)

Ticker	Name	Country	2019 Performance	2020 Year-to-Date Performance
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	US	29.2%	-24.0%
XLK US Equity	TECHNOLOGY SELECT SECTOR SPDR	US	47.9%	0.2%
XLV US Equity	HEALTH CARE SELECT SECTOR SPDR	US	17.7%	-1.6%
XLE US Equity	ENERGY SELECT SECTOR SPDR	US	4.7%	-35.3%
XLY US Equity	CONSUMER DISCRETIONARY SELECT SECTOR SPDR	US	26.7%	-6.5%
XLI US Equity	INDUSTRIAL SELECT SECTOR SPDR	US	26.5%	-19.6%
XLP US Equity	CONSUMER STAPLES SELECT SECTOR SPDR	US	24.0%	-6.4%
XLU US Equity	UTILITIES SELECT SECTOR SPDR	US	22.1%	-9.3%
XLB US Equity	MATERIALS SELECT SECTOR SPDR	US	21.6%	-12.9%
XLRE US Equity	REAL ESTATE SELECT SECTOR SPDR	US	24.7%	-11.7%
XLC US Equity	COMM SERV SELECT SECTOR SPDR	US	29.9%	-5.8%
Source: Bloomberg				

A few words on Oil and the Energy sector (XLE). Dysfunction reigned in commodity markets last week as crude oil prices traded at previously unthinkable negative prices thanks to worries over storage capacity. Energy stocks, however, rallied more than any sector this week. The case for bullish energy stocks is building up. Low oil prices will see massive cuts not just in production but also in capital expenditure (Capex) and other long term investments.

Best wishes,

Manish Singh, CFA

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

“’Market timing’ is unappealing to long-term investors. As in hunting deer or fishing for rainbow trout, investors have learned the importance of ‘being there’ and using patient persistence – so they are there when opportunity knocks.”

– Charles Ellis, Passive Investor & Author

Summary

With the outbreak of the Covid-19 virus raising the sceptre of a GDP contraction of between -10% and -20% in the US and Europe, the time for fiscal policy to take charge has well and truly arrived. The US Federal Reserve can always handle issues that affect the liquidity of the banking system. However, interest rate cuts when rates are already very low, don’t do much – particularly, when the problem is not the supply of credit but the demand for it, as both economic activity and consumption collapse. Boosting growth to a higher level can only be achieved when both monetary and fiscal policy work in tandem. The work done by the US Federal Reserve during the 2008 financial crisis may have just prevented a 1929-like Depression. The creation of many new facilities then, were also useful this time. The Fed was able to act quickly, supersize existing programs as well as create new ones. Fiscal authorities are now set to follow suit.

The bear case for equities, as outlined by some, is based on the view that the selling has been relentless and indiscriminate, that markets have given up 3 years of gains in just a month, and that no one has a clear idea of the true fundamental value, all whilst policymakers are flailing. These are also the very arguments for how the bull case for stocks starts. Fear is indeed palpable but it’s also the reason to start buying. Calling a bottom to the equity market is never an easy call to make. In an internal note to my colleagues last week, I indicated Friday March 20 as the market bottom when the low on the SPX was 2,295. The Fed and US fiscal authorities are stepping in as they have no other option. Of course, economic data will worsen further in the coming months, but I believe that most of this is already priced into the market.

Those concerned about the end of capitalism are again being emotive and are over-reacting. Moving the US Dollar off the gold standard, as then US President Richard Nixon did in 1973, changed the very face of capitalism. In a fiat monetary system, such as the one that most nations operate under today, the reference to government expenditure being “financed” by taxes or debt-issuance is redundant. A sovereign government is never revenue-constrained, because it is the monopoly issuer of the currency, and can print money at will. There is no gold standard to constrain it.

The global economy is in the ICU; fiscal help is on its way

Give a virus a scary name, start talking about how it came from somebody eating bat soup in China, cut interest rates to zero and the fear it unleashes is inevitable. Perception is everything. A global recession, once unthinkable in 2020, is now a foregone conclusion. The fight is now on to stop this recession from deepening and taking hold for more than two quarters, as the Western world goes into synchronised lockdown to deal with the outbreak.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Coronavirus (or COVID-19) has inflicted such fear, that the world is willing to impose an economic shutdown to deal with it. Supply chains disrupted, travel restricted, schools closed and people confined to their homes have all now been seen the world over – leading to a sudden halt to the global economy - while the manufacture of masks, ventilators and other necessary equipment is ramped up.

Granted, COVID-19 is not the ordinary flu. For the ordinary flu, there is a flu vaccine and more importantly "herd immunity" (a form of indirect protection from infectious diseases that occurs when a large percentage of a population has become immune to an infection). However, I just wonder whether the number of cases we are currently seeing reported is accurate. For instance, let's look at Italy: 63,927 cases, 6,077 death and 7,432 recovered. The fatality rate in Italy, therefore, is close to 10%. That's quite scary. However, the fatality rate could be vastly overestimated if the number of cases reported is fewer than the actual number. If there were more testing kits we would likely be looking at the right number of cases and interpreting the fatality rate as it should be.

COVID-19 will very likely change economic policymaking forever. A new consensus has emerged among policymakers and economists in favour of bold new fiscal measures. In the very same way that the financial crisis of 2008 changed everything for monetary policy and international financial systems (banks were made safer and therefore during this crisis we are not talking about them going under), COVID-19 change for fiscal policy and way the economies are run in the future. The US Federal Reserve can always handle issues that affect the liquidity of the banking system. However, interest rate cuts when rates are already very low, don't do much – particularly, when the problem is not the supply of credit but the demand for it, as both economic activity and consumption collapse. Boosting growth to a higher level can only be achieved when both monetary and fiscal policy work in tandem.

With the outbreak of the Covid-19 virus raising the sceptre of a GDP contraction of between -10% and -20% in the US and Europe, the time for fiscal policy to take charge has well and truly arrived. On Sunday, March 15, the Fed slashed its benchmark interest rate to near zero and said it would buy $700 billion in Treasury and mortgage-backed securities, in an urgent response to the pandemic. The equity markets, however, didn't see this as relief or indeed the right course of action. Negative sentiments continued and the S&P 500 (SPX) index continued its slide. The SPX is now nearly -9% lower than its close that weekend after falling by as much as -19% at one stage. (see table below):

Benchmark Equity Index Performance (2019, YTD)

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Ticker	Name	Country	Price	2019 Performance (USD)	2020 Year-to-Date Performance (USD)
SPX Index	**S&P 500 INDEX**	**US**	**2,476**	**28.9%**	**-23.4%**
CCMP Index	NASDAQ COMPOSITE INDEX	US	7,384	35.2%	-17.7%
INDU Index	DOW JONES INDUS. AVG	US	21,201	22.3%	-25.7%
SX5E Index	**Euro Stoxx 50 Pr**	**Europe**	**2,800**	**22.0%**	**-27.4%**
UKX Index	FTSE 100 INDEX	Great Britain	5,688	16.5%	-32.3%
DAX Index	DAX INDEX	Germany	9,874	22.7%	-27.6%
CAC Index	CAC 40 INDEX	France	4,432	23.6%	-28.0%
FTSEMIB Index	FTSE MIB INDEX	Italy	17,244	25.4%	-28.7%
IBEX Index	IBEX 35 INDEX	Spain	6,942	9.3%	-29.4%
NKY Index	**NIKKEI 225**	**Japan**	**19,547**	**17.1%**	**-19.3%**
MXEF Index	**MSCI EM**	**Emerging Markets**	**802**	**15.4%**	**-28.1%**
HSI Index	HANG SENG INDEX	Hong Kong	23,527	8.5%	-17.0%
SHCOMP Index	SHANGHAI SE COMPOSITE	China	2,782	23.8%	-10.7%
IBOV Index	BRAZIL IBOVESPA INDEX	Brazil	75,067	36.2%	-48.3%
IMOEX Index	MOEX Russia Index	Russia	2,453	15.8%	-36.0%
MXIN Index	MSCI INDIA	India	902	11.0%	-38.1%
MXTR Index	MSCI TURKEY	Turkey	1,173,272	35.0%	-27.7%
Source: Bloomberg					

The US Congress has finally stopped bickering and is set to agree a sizeable Coronavirus Stimulus Bill just as the UK, Germany and France are doing. Early indications are that the stimulus bill could be as much as large as $2 trillion. A deal was reached in the Senate early Wednesday morning and the US congressional officials continue to finalise the bill. On Tuesday, the Dow Jones Industrial Average (Dow) was up 2,093 points, or +11.3%. It is the Dow’s largest single-day gain since 1933, driven by news that a deal was coming together.

The stimulus bill will provide direct financial help – one-time checks worth $1,200 to many Americans, with $500 available to children, increase current unemployment assistance by $600 a week for four months, offer hundreds of billions of dollars in loans to both small and large businesses, and provide health care providers with additional resources as the virus spreads. Senate Majority Leader Mitch McConnell remarked – “This is a wartime level of investment into our nation.” Senate Minority Leader Chuck Schumer remarked: “To all Americans I say: Help is on the way, big help and quick help.”

A timely and welcome help. However, I do fear an overstimulation of the US economy. Keep an eye on inflation down the line if, as I expect the fatality rate from COVID-19 to be over-estimated, the stimulus is likely excessive. US policy to deal with any crisis is very simple – print money and particularly now when the interest rates are at zero. If printing money doesn’t work, well there’s – printing even more money.

US household debt now amounts to $14 trillion. Here’s the breakdown:

- • Mortgage debt: $9.5 trillion

- • Student debt: $1.5 trillion

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

- • Auto loan debt: $1.3 trillion
- • Credit card debt: $950 billion

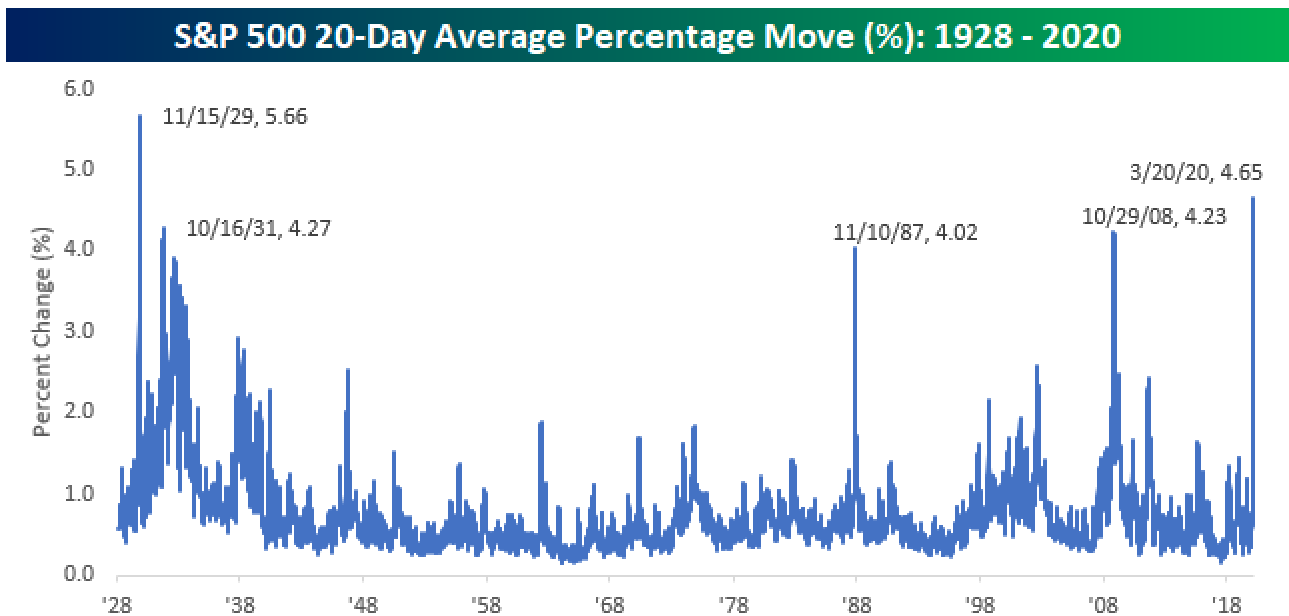
Therefore, the risk of a rapid rise in unemployment from the economic shutdown couldn't come at a worse time. US fiscal authorities will do all that is required to avert a deep crisis and will print as much money as needed, and then some. Of course the US is not alone in this. Printing money has been the official policy of Japan for over two decades now.

Markets and the Economy

The chart below shows the SPX's average daily percentage move, on a 20-day rolling basis, going back to 1928. The SPX's four-week average daily move is now greater than any other time since the weeks following the 1929 crash. Moves of this magnitude are quite unprecedented in the history of the stock market.

While I don't want to minimize the significance of the market declines, the circumstances surrounding 1929 and the present – in terms of the reasons for the decline – aren't all that similar to one another. Calling a bottom to the market is never an easy call to make. In an internal note to my colleagues last week, I indicated Friday March 20 as the market bottom.

The low on March 20 on the SPX was 2,295, and after more selling on Monday March 23, the SPX is now above the 2,470 level. A range on the SPX of 2,250-2,350 feels like a bottom, particularly with US fiscal action pending. Additionally, on March 20, we saw some dispersion: 47% of the stocks in the Index finished positive, whilst the index as a whole finished negative. That's a very good sign.



Source: Bespoke Invest

The bear case for equities, as outlined by some, is based on the view that the selling has been relentless

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

and indiscriminate, that markets have given up 3 years of gains in just a month, and that no one has a clear idea of the true fundamental value, all whilst policymakers are flailing. These are also the very arguments for how the bull case for stocks starts. With a correction of -25% and more in some cases, fear is indeed palpable but it's also the reason to start buying.

I feel more assured that the market is bottoming. That is not to say the index won't dip to 2300 again. However, the $2 trillion stimulus plan is a powerful weapon which short-sellers won't want to face and buyers won't want to miss.

The work done by the US Federal Reserve during the 2008 financial crisis may have just prevented a 1929-like Depression. The creation of many new facilities then, were also useful this time. The Fed was able to act quickly, supersize existing programs as well as create new ones. Fiscal authorities are now set to follow suit.

This market sell-off has once again brought the perma-bears (in hibernation since the recovery started in Q1 2009) back on to our television screens and into our living rooms. It's the end of capitalism some say, buy gold, buy Bitcoin, buy guns and so on. Those concerned about the end of capitalism are again being emotive and over-reacting. Moving the US Dollar off the gold standard as then US President Richard Nixon did in 1973, changed the very face of capitalism. In a fiat monetary system such as the one that most nations operate under today, the reference to government expenditure being "financed" by taxes or debt-issuance is redundant. A sovereign government is never revenue-constrained, because it is the monopoly issuer of the currency, and can print money at will. There is no gold standard to constrain it.

Let's take a step back for a second, and see how we got to a world of money-printing:

- • During World War II, the US supplied the Allies and got paid in gold, propelling the US to the largest holder of gold. The Bretton Woods Agreement of 1944 established the US Dollar as the global reserve currency and international commodities were priced in US dollars
- • The condition that was imposed on the US – US dollars would remain redeemable for gold at $35/ounce and the US promised not to print money
- • Rising economic growth, insatiable demand for goods and raw materials, defence expenses to maintain the US hegemony in the post-WWII era and the Vietnam War, meant the temptation to not print was too much to resist. The Fed refused to allow audits or supervision. The US had come out as the winner of WWII, so there was not much to stop them from having their way. Japan was vanquished, the UK was indebted and Europe was being helped by the Marshall Plan. The rest of the world just didn't matter
- • In the years leading up to the 1970s and the Vietnam War, it became obvious to others that the US was printing money to meet its vast war expenditures and other liabilities. The currency began to devalue. Also, by the 1970s the once ravaged economies of Europe, Japan and Asia were on firmer ground and in a position to call the US out

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

- • With growing concerns over the stability of the US dollar, countries began to ask the US to exchange their dollar reserves into gold. Nixon refused and “temporarily” suspended the convertibility of the dollar into gold. That “temporary” suspension of course became permanent

- • The US then moved on to next way to maintain the dollar hegemony – the Petrodollar. In 1973, Nixon asked Saudi Arabia to accept only US Dollars as payment for oil and to invest any excess profits in US Treasury bonds, notes, and bills. In return, Nixon offered military protection for the Saudi oilfields and US Navy kept the sea routes safe for Saudi oil cargos

- • By 1975, every member of the Organization of the Petroleum Exporting Countries (OPEC) had agreed to sell their oil only in US dollars. The dollar thus had moved off the gold standard and became tied to oil, thereby forcing every oil-importing country to maintain the constant supply of US dollars. The US was back at the top again. The US printed dollars and gave them to everyone as manufactured goods poured into the US

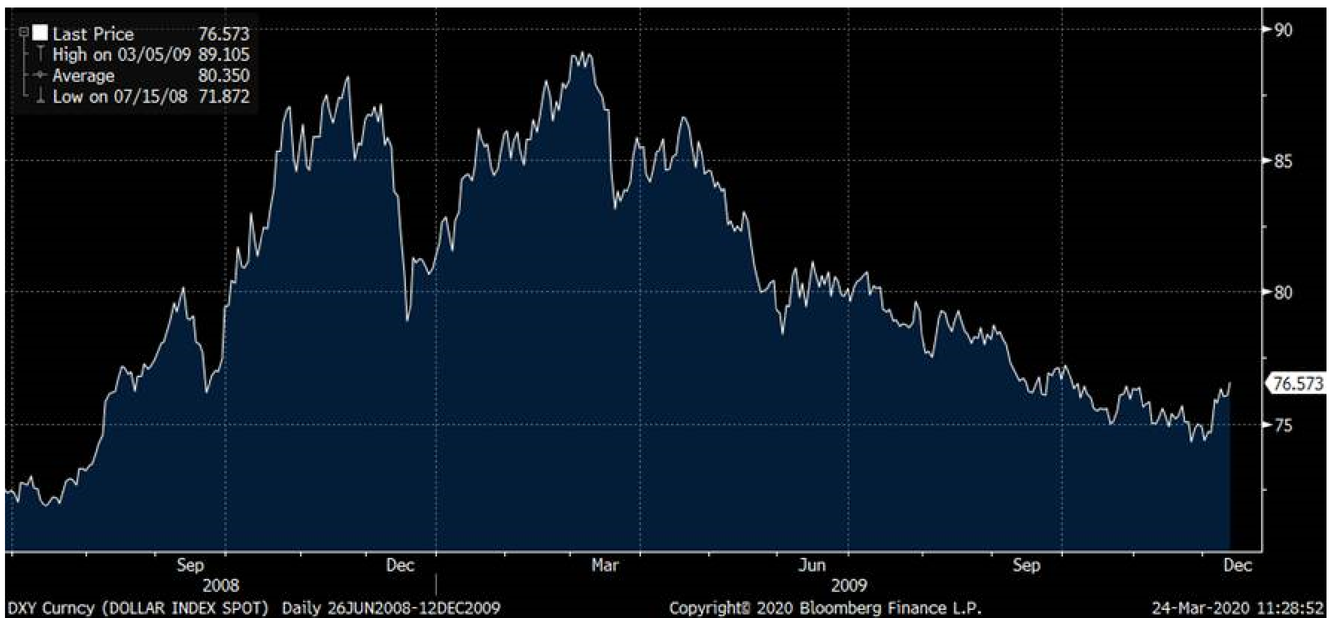
With oil prices under renewed pressure and the threat to the Petrodollar increasing – as China and Russia flex their muscles – we are at the beginning of another phase, and it is unclear how it will pan out. What the US plotting this time around to keep the US dollar at the top – we shall find out in the not so distant future. For now, further money-printing is guaranteed in the US. Asset prices therefore, will keep heading higher. Therefore, those who predict the demise of US capitalism are forgetting that US capitalism is based on the supply of the dollar – and the US has the printing machines to achieve this.

The US dollar has continued to strengthen as the crisis has mounted. With the US opening the monetary and fiscal spigots, there are concerns about the US dollar and its future. In my opinion, those concerns are for another day. For now, the US dollar will hold its value as well as its strength versus other currencies, so long as we are in a crisis.

I expect the US dollar to weaken later this year, when the risk subsides, as it did back in 2008-09 (see chart below)

The US Dollar Index indicating the international value of the USD (2008-09)

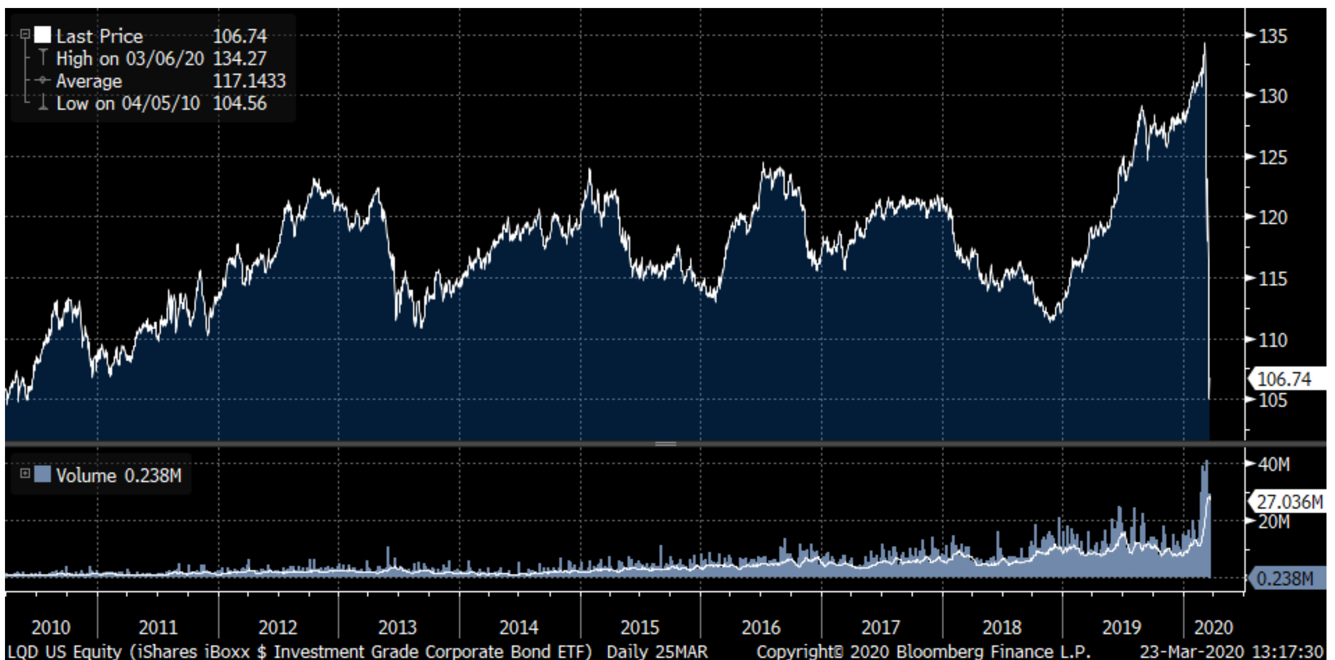
© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.



Source: Bloomberg

Last week, the largest US investment-grade bond Exchange-Traded Funds (ETF), LQD (see chart below) gave up a decade's worth of gains in a matter of days. It's as if LQD took a parachute and jumped. Of course, there is more to the sell-off in LQD than meets the eye. The fear of corporate downgrades for one – LQD would have to sell its holding of BBB investment-grade bonds if they were downgraded. However, one has to question the logic of selling bonds (which trade over-the-counter) in a wrapper of ETFs. In general, I much rather hold single bond names than bond ETFs, if and where possible.

iShares Corporate Bond ETF (LQD US) – last 10 years



Source: Bloomberg

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

The Consumer Staples (XLP) and Healthcare (XLV) sectors are a good bet at this time, although big gains will likely come from the Consumer Discretionary (XLY), Communication Services (XLC), Technology (XLK) and Financial (XLF) sectors. For specific stock recommendations, please do not hesitate to get in touch.

Benchmark US equity sector performance (2019 & YTD)

Ticker	Name	Country	2019 Performance	2020 Year-to-Date Performance
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	US	29.2%	-33.8%
XLK US Equity	TECHNOLOGY SELECT SECT SPDR	US	47.9%	-15.4%
XLV US Equity	HEALTH CARE SELECT SECTOR	US	17.7%	-20.0%
XLE US Equity	ENERGY SELECT SECTOR SPDR	US	4.7%	-52.3%
XLY US Equity	CONSUMER DISCRETIONARY SELT	US	26.7%	-22.3%
XLI US Equity	INDUSTRIAL SELECT SECT SPDR	US	26.5%	-29.0%
XLP US Equity	CONSUMER STAPLES SPDR	US	24.0%	-19.1%
XLU US Equity	UTILITIES SELECT SECTOR SPDR	US	22.1%	-21.0%
XLB US Equity	MATERIALS SELECT SECTOR SPDR	US	21.6%	-28.6%
XLRE US Equity	REAL ESTATE SELECT SECT SPDR	US	24.7%	-25.2%
XLC US Equity	COMM SERV SELECT SECTOR SPDR	US	29.9%	-21.4%
Source: Bloomberg				

Finally, I have been asked this often recently – should I buy gold?

My advice is always the same – buy gold as an insurance and not as an investment. Gold is your ultimate insurance if the world goes off keel. It's like buying house insurance and hoping you will never have the need to use it. And when you are losing money on your gold position, then take comfort from the fact that the world is likely fine when gold drops, and equities and other assets in your portfolio are rising.

Best wishes,

Manish Singh, CFA

"More money has been lost trying to anticipate and protect from corrections than actually in them."

– Peter Lynch

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Summary

The US is in deep angst. It's youth is in rebellion and they are marching to the tune of the "Pied Piper" from Vermont – Senator Bernie Sanders who is promising them a lot of free stuff. Sanders is the "Trump of the Democrats," albeit with more pleasant manners. Detractors of Sanders, a self-avowed democratic socialist, can say "socialism doesn't work" and "look at Venezuela" as much as they want, but Sanders' core policy positions are now more mainstream in the US than ever. I am increasingly of the view that the US will have to experience a bout of socialism in the coming years to convince the young and "woke" voters, that everything in life is not free and it comes at a cost.

Over the last few days, global markets have been hit by fear of the so-called Coronavirus. I can understand the rush to safe haven assets such as Gold and government bonds, for those who are forced to buy such assets per their mandate. However, for others who choose to buy them, it's worth making a mental note that government policy both in the US and Europe, explicitly seeks to have inflation of +2% i.e. in buying 10Y US Treasuries you are lending money to the US government at +1.31%, when it has told you explicitly that it is their stated goal to debase the value of money by +2% per year. I expect yields to go lower, but I am not a buyer of such bonds. I'd much rather make that return as a dividend on blue chip stocks (plus any upside from buybacks or earnings increases) and not have a risk of a rate rise or inflation fear to destroy capital on the bond exposure. I am not revising my target, and I still expect the S&P 500 to finish the year at 3,420.

Sanders, the Pied Piper from Vermont

Last Saturday, US Senator Bernie Sanders won the Nevada caucus in a landslide, securing 47% of the vote. Former Vice President Joseph Biden was a distant second with 19.6% and Mayor Pete Buttigieg was third. America is in deep angst, its youth is in rebellion and they are marching to the tune of the "Pied Piper" from Vermont – Senator Bernie who is promising them lots of free stuff.

In the 2016 primaries, Sanders won 23 states and 46% of the elected delegates. It's hard to see how he won't do better this time. Sanders has now built a solid support base on the left, as opposed to the other candidates who have their votes fragmented. The Democratic Party establishment fears that Sanders could even wrap up the nomination by Super Tuesday, (March 3) when 14 US States go to polls, including the large electoral states of California, Texas, Massachusetts and the swing states of Minnesota, North Carolina, Virginia. At that point, it would be too late for moderate Democrats to stop Sanders' march forward.

Sanders is the "Trump of the Democrats" albeit with more pleasant manners. Like Trump, however, Sanders' is harvesting the power of social media, small donations as well as volunteers for his campaign. Donations are flowing in and the Sanders 2020 campaign has over 1 million volunteers working for it. As a lifelong social democrat, Sanders has always been against – Wall Street greed, the military-industrial complex and social injustice and for – free healthcare for all, free tuition and higher minimum wage. Sanders also says all the correct things on – climate change, gay, lesbian and transgender issues and you can understand why he makes the millennials swoon. They find him endearing, "cool" and "retro."

Detractors of Sanders, a self-avowed democratic socialist, can say "socialism doesn't work" and "look at Venezuela" as much as they want, but Bernie's core policy positions are now more mainstream in the US

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

than ever:

- • Last January, a Harris poll for the American news website, Axios found that 50% of Americans under the age of 38 would “prefer living in a socialist country”
- • The preference for socialism is even higher among Generation Z (18-24 year olds) which includes first time voters. In that cohort, 61% have a positive reaction to the word “socialism”
- • Another Harris poll for Axios in June last year found even more revealing stats: 55% of women between 18 and 54 would prefer to live in a socialist country than a capitalist country

Millennials (born between 1981 and 1986) and Generation Z (born between 1997 and 2012) will make up 37% of the 2020 electorate and 53% of all American voters are women. Centrists in the US will do well to listen and address the angst of all such voters.

Last time Socialism was popular in America was in the 1960s and 70s. However, even then those in favour of socialism were a minority. In 1974, pollster Daniel Yankelovich found that three-quarters of Americans between the age of 25 to 34 felt the country had “moved dangerously close to socialism.”

Source: Bruce Plant, Tulsaworld.com

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

I don’t believe those in favour of socialism this time around, want it and I suspect, most of them don’t even understand what it would entail. Burdened with – working longer hours for small wages, high healthcare cost, high tuition fees and student loans, and worsening prospect – what they are yearning for is a change. Not the slogan that former President Barrack Obama sold to them – but real change. Obama’s failure to deliver on his promise of change is exactly why a “socialist” like Sanders is leading in the polls. Democratic socialists like Congresswoman Alexandria Ocasio-Cortez and Sanders have brought a new life and meaning to those looking at the government to solve their problems.

As they say, there is never a greater danger of war than when a generation has grown up never having suffered its horrors. The same philosophy translates to those who have grown up never having been aware of the misery of Socialist rule. The philosopher George Santayana summed it all up in his memorable saying: “those who do not remember the past are condemned to repeat it.” The trouble is that young people see the Left as being trendy, defying authority and exciting – especially when it mixes in its faux message of equality for all. Offering people something free at someone else’s cost isn’t kindness, it’s a curse.

I increasingly feel America will have to experience a bout of socialism in the coming years to rid the young and “woke” voters that everything is not free and comes at a cost. Governments in the Western world (increasingly in Europe) have severed the link between tax, debt and spending and built a utopia on the sand of colossal debt. With every new debt added the sand-castle gets shakier. Debts can’t go on increasing for ever and as spending is cut or taxes increase, the clamour for socialism will rise.

While it’s too early to tell and chances of Sanders causing an upset in the November election is not insignificant, I still believe Trump will get re-elected as long as the economy and jobs both remain strong. As someone who foresaw and predicted both Brexit and the Trump victory in 2016, my eyes are firmly on the trends in the US and you will read more about my thoughts on the US election in subsequent newsletters over the summer.

Markets and the Economy

Over the last few days, global markets have been hit by fear of the so-called Coronavirus (COVID-19). Equites have sold off and the safe haven assets – Gold, US Treasuries have rallied. The 30-Year US Treasury yield dropped to a record low +1.79% and the 10-Year to +1.31%. Gold prices have broken out not only to 52-week highs but to their highest levels since 2013. Meanwhile, the VIX index – the measure of the expectation of volatility of the S&P 500 Index (SPX) – while nowhere near historically high levels, briefly topped 30 this week, which is a level we haven’t seen since the December 2018 sell-off.

US Treasury Yields (2y, 10y and 30y)

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Source: Bloomberg

So what's the prognosis for equity markets?

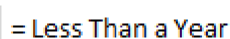
First, a handy chart and calculation by the team at Bespoke Invest that looks at similar market stresses of the past.

There have only been seven other periods where all three asset classes – US Treasuries, Gold and the VIX, were simultaneously at least two standard deviations above their 50-Day Moving Average (DMA). The table below lists the first day in each of the prior periods, where all three asset classes were at least two standard deviations above their 50-DMA. Before the current period, the last time this occurred was in August 2019. Looking ahead, equity market performance over the following one and three months has been mixed, but the further you move out from the initial shock, it's more likely for equities to stabilize and rebound. One year later, the SPX was higher, all seven times, by an average of +16.1% (median: +14.9%).

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

S&P 500 Performance Following Extreme OB Readings in Safe Haven Assets*

Date	Issue	S&P 500 Performance (%)			
		One Month	Three Months	Six Months	One Year
8/1/90	Iraq Invasion of Kuwait	-9.3	-13.6	-3.5	8.9
4/30/10	European Debt Crisis	-8.2	-7.2	-0.3	14.9
7/29/11	Budget Stalemate/US Debt ↓-grade	-6.4	-0.6	1.9	7.2
1/20/16	China/Oil Weakness	3.1	13.1	16.9	22.2
6/24/16	Brexit	6.8	6.2	11.1	19.7
12/20/18	Federal Reserve	8.2	14.5	19.7	30.6
8/12/19	Trade Tensions	4.4	7.2	17.2	9.2
2/24/20	Coronavirus				
	Average	-0.2	2.8	9.0	16.1
	Median	3.1	6.2	11.1	14.9

 = Less Than a Year

** Gold, VIX, and Long Bond Future All 2-Standard Deviations above 50-DMA*

Source: Bespoke Invest

I can understand the rush to safe haven assets for those who are forced to buy such assets per their mandate. However, for others who chose to buy them, it's worth making a mental note that government policy both in the US and Europe explicitly seeks to have inflation of +2% i.e. in buying 10Y US Treasurys you are lending money to the US government at +1.31% when it has told you explicitly that it is their stated goal to debase the value of money by +2% per year.

The state of bond yields is even worse in the Eurozone, as is the economy. Germany, its largest economy grew by just +0.6% last year, its slowest rate since 2013—the height of the Eurozone's debt crisis. Detailed GDP numbers reveal that Germany came to standstill in Q4 2019 with 0.0% Quarter-on-Quarter (QoQ) growth from +0.2% in Q3.

Germany's weakness is bad news for the European Union (EU). Germany's Gross Domestic Product (GDP) accounts for around 20% of the EU's total GDP. More importantly, German manufacturers are also tightly integrated on the Continent, particularly Central and Eastern Europe (CEE), where German-owned plants and suppliers to German companies account for a large share of jobs.

It is no surprise then, that the German Bund yield curve is negative from 1 month to 30 years i.e. you pay to lend your money out to the borrower. As a result, we get to see a funny headline like this – [France's Richest Man Gets a Free Lunch From the ECB]. Two of the five Euro tranches in the recent €7.5 billion debt issuance by Moet Hennessy Louis Vuitton (LVMH) to finance its purchase of Tiffany were placed at negative yields, meaning investors were paying single A-rated LVMH to borrow their money.

One day we will look back and marvel how Quantitative Easing (QE) was offered as panacea for house price declines, stock market declines, low inflation, low growth, climate change, virus outbreaks…you name it. The only thing QE hasn't been offered up for yet, is to cure hair loss!

The news out this afternoon indicates that German Finance Minister Olaf Scholz is considering a move

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

that could open an avenue for limited fiscal stimulus in Europe's largest economy. Germany stands out as the only G7 nation with a budget surplus, and a relatively low debt burden. It has long been the target of calls by various bodies to increase fiscal spending. Will Germany listen ? They just might.

I am not a buyer of Eurozone or US government bonds that are now trading at ridiculously low yields, no matter how volatile the equity markets. I expect yields to go lower, but I am not a buyer of such bonds.

If +1.31% yield goes to 1%, on a 10y duration US Treasury – one stands to make approximately +3.1%. I'd much rather make that as a dividend on JP Morgan (JPM) stock or Microsoft (MSFT) (plus any upside from buybacks or earnings increases) and not have a risk of a rate rise or inflation fear to destroy capital on such exposure.

Benchmark Equity Index Performance (2018, 2019, YTD)

Name	Country	Price	2018 Performance (USD)	2019 Performance (USD)	Year-to-Date (USD)
S&P 500 INDEX	**US**	**3,164**	**-6.2%**	**28.9%**	**-2.1%**
NASDAQ COMPOSITE INDEX	US	9,062	-3.9%	35.2%	1.0%
DOW JONES INDUS. AVG	US	27,308	-5.6%	22.3%	-4.3%
Euro Stoxx 50 Pr	**Europe**	**3,587**	**-18.3%**	**22.0%**	**-7.2%**
FTSE 100 INDEX	Great Britain	7,013	-17.7%	16.5%	-9.3%
DAX INDEX	Germany	12,810	-22.1%	22.7%	-6.3%
CAC 40 INDEX	France	5,693	-15.1%	23.6%	-7.7%
FTSE MIB INDEX	Italy	23,558	-20.1%	25.4%	-2.9%
IBEX 35 INDEX	Spain	9,348	-18.9%	9.3%	-5.2%
NIKKEI 225	**Japan**	**22,426**	**-9.6%**	**17.1%**	**-6.8%**
MSCI EM	**Emerging Markets**	**1,057**	**-16.6%**	**15.4%**	**-5.2%**
HANG SENG INDEX	Hong Kong	26,696	-13.4%	8.5%	-5.3%
SHANGHAI SE COMPOSITE	China	2,988	-28.6%	23.8%	-2.9%
BRAZIL IBOVESPA INDEX	Brazil	113,681	-1.8%	36.2%	-10.0%
MOEX Russia Index	Russia	3,016	-6.8%	15.8%	-5.9%
MSCI INDIA	India	1,347	-8.5%	11.0%	-2.2%
MSCI TURKEY	Turkey	1,462,604	-43.1%	35.0%	-5.9%

Source: Bloomberg

Of course, volatility will continue and it could easily get worse. The market sell-off this week was triggered by the Centers for Disease Control and Prevention (CDC) warning that the US should prepare for social distancing measures including cancelled public events, school closures, and suspended business activities. There is no way to know how mild or severe a coronavirus outbreak would be until it happens, but some sort of disease cluster cropping up seems inevitable at this point given how widespread the virus is around the world.

The good thing is total net cases continue to decline as recoveries in China rise to 37% of all cases. Deaths are rising relative to the total infected count, but falling relative to recoveries; more than 10x as many people have recovered than have died, compared to 4x as-of February 10. Eventually, seasonal warmth should naturally reduce the spread of the virus and the likely development of vaccines should help as well.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Benchmark US equity sector performance (2018, 2019, YTD)

Ticker	Name	Country	Price	2018 Performance	2019 Performance	Year-to-Date Performance
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	US	29.06	-14.7%	29.2%	-5.6%
XLK US Equity	TECHNOLOGY SELECT SECT SPDR	US	93.64	-3.1%	47.9%	2.1%
XLV US Equity	HEALTH CARE SELECT SECTOR	US	98.31	4.6%	17.7%	-3.5%
XLE US Equity	ENERGY SELECT SECTOR SPDR	US	49.6982	-20.6%	4.7%	-17.2%
XLY US Equity	CONSUMER DISCRETIONARY SELT	US	123.7	0.3%	26.7%	-1.4%
XLI US Equity	INDUSTRIAL SELECT SECT SPDR	US	78.8	-14.9%	26.5%	-3.3%
XLP US Equity	CONSUMER STAPLES SPDR	US	62.28	-10.7%	24.0%	-1.1%
XLU US Equity	UTILITIES SELECT SECTOR SPDR	US	68.135	0.5%	22.1%	5.4%
XLB US Equity	MATERIALS SELECT SECTOR SPDR	US	56.8	-16.5%	21.6%	-7.5%
XLRE US Equity	REAL ESTATE SELECT SECT SPDR	US	40.3	-5.9%	24.7%	4.2%
XLC US Equity	COMM SERV SELECT SECTOR SPDR	US	53.38	-17.4%	29.9%	-0.5%

Source: Bloomberg

In economic data, US new-home sales soared +7.9% in January to an annualized pace of 764,000, well above the consensus estimate. Low mortgage rates have helped to lift homebuying activity.

The markets are so used to the US Federal Reserve's verbal intervention in cases of a market sell-off – but have yet to hear anything soothing from the Fed Governors. Fed Vice Chairman Richard Clarida said in a speech on Tuesday – "it is still too soon to even speculate about either the size or the persistence of these [coronavirus] effects, or whether they will lead to a material change in the outlook."

Fed Chairman Jerome Powell has said that the Central Bank will want to see evidence that disruptions are persistent and material for the US economy before cutting interest rates. The market, however, is already pricing in an 85% likelihood of at least +0.25% rate cut at the Fed's July meeting. I do not see more than one rate cut this year, and if it is to come, it will come by June/July by which time the impact of any slowdown from COVID-19, or otherwise, will have become clear. The Fed would not like to tamper with rates post the summer, to avoid any accusation of impacting the outcome of the November US Presidential elections.

In the December newsletter, I wrote that "I expect the SPX to finish next year [2020] at 3,420 i.e. +10% higher from today's [December 5, 2019] level of 3,117". It's eerie that as I type this line on my keyboard the SPX is at the December 5, 2019 level yet again. I am not revising my target and I still expect the SPX to finish the year at 3,420.

In the US, I prefer to be long Financials (XLF), Consumer Discretionary (XLP), Healthcare (XLV) and Industrials (XLI) stocks, with an overweight position in Consumer Discretionary and Healthcare. Individual stocks in the Technology (XLK), Communication Services (XLC) also offer good upside. For specific stock recommendations, please do not hesitate to get in touch.

Best wishes,

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Manish Singh

Manish Singh, CFA

“Nurture your mind with great thoughts, for you will never go any higher than you think.”

– Benjamin Disraeli, UK Prime Minister (1874-80)

Summary

The US-China Phase I trade deal requires China to increase its purchases of American goods and services by +100% over the next two years. That is a huge ask. Will China be able to meet the additional purchase targets and does it ultimately matter?
The answer to the first question – I don’t believe so and the answer to the second question – no, it doesn’t matter, at least not in the short term. The official US trade statistics for 2020 won’t be available until March 2021 i.e. US voters will be unable to evaluate the success or failure of US President Donald Trump’s China deal before they go to the polls in November. This deal allows Trump to talk about his deal-making prowess endlessly, without any way to challenge those claims.

Elsewhere, in less than ten days’ time the UK will leave the European Union (EU) and chart its path in a fast-changing world. One hopes it will be time for a Thatcher-era like revolution of the 1980s. Then, Britain broke the shackles of trade unionism and the belief that the state was the answer to every question. A post-Brexit UK should adopt economic and competition policies which are solely in the long term national interest. Not having the EU shackles will be a great help in achieving this.

Global equities had an excellent 2019 – the best in a decade. Just a few weeks into the new near and the S&P 500 Index is already topping some strategists’ year-end targets. There is still a lot of cynicism about this rally, however, bear in mind, just because the market has rallied doesn’t necessarily mean it has to now fall. The US economy has been mixed with more good news than bad. Housing has led the way, while manufacturing data remains weak and inflation pressures remain non-existent.

US-China trade: A Delicate Truce

After months of wrangling, threats, tariffs, counter-tariffs, and false dawns, last week, the US and China finally signed a Phase I trade deal that promises to call a temporary truce to the 19-month-long US-China trade war. This deal pledges that China will buy an additional $200 billion of American goods and services over the next two years, further open Chinese markets to US firms—especially in financial services—as well as provide strong new measures for US companies operating in China to safeguard their trade secrets and intellectual property.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

China, on the other hand, hopes to continue exporting over $600bn of Chinese goods per annum to the US without any risk of an additional increase in tariffs. Crucially, however, the agreement doesn't alter US President Donald Trump's 25% tariffs on $250 billion of Chinese imports or China's retaliatory tariffs on US goods. Both levies stay.

The table below details is the crux of the deal: Over the next two years China is to buy $200 billion of additional product and services compared to 2017 levels.

US-China Trade deal: Increases in US exports to China over 2 years

ANNEX 6.1
INCREASES IN U.S. EXPORTS TO CHINA OVER 2 YEARS

Unit: USD Billion

	Product Category	Additional U.S. Exports to China on Top of 2017 Baseline		
		Year 1	Year 2	2-Year Total
1. Manufactured Goods		**32.9**	**44.8**	**77.7**
1	Industrial machinery			
2	Electrical equipment and machinery			
3	Pharmaceutical products			
4	Aircraft (orders and deliveries)			
5	Vehicles			
6	Optical and medical instruments			
7	Iron and steel			
8	Other manufactured goods[a]			
2. Agriculture[b]		**12.5**	**19.5**	**32.0**
9	Oilseeds			
10	Meat			
11	Cereals			
12	Cotton			
13	Other agricultural commodities[c]			
14	Seafood[d]			
3. Energy		**18.5**	**33.9**	**52.4**
15	Liquefied natural gas			
16	Crude oil			
17	Refined products			
18	Coal[e]			
4. Services[f]		**12.8**	**25.1**	**37.9**
19	Charges for use of IP			
20	Business travel and tourism			

Source: United States Trade Representative (USTR)

The US export of goods and services to China in 2017 stood at $188 billion. However, the sectors covered in this deal (as indicated in the table above) amounted to only $134.2 billion.

Therefore, the deal requires China to increase its purchases of goods and services to $210.9 billion by 2020 and $257.5 billion in 2021. That is an increase of +57% and +91% i.e. a doubling by 2021. That's not all. If you take into account the slump in US-China trade as tariffs came into effect – US exports to

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

China through 2019 are currently estimated to be $20 billion lower than in 2017. Therefore, the increased purchase targets for China are +100% over the next two years. That is a huge ask.

On Monday, I spoke on CNBC regarding the US-China trade deal and its impact on the markets. You can watch the interview here.

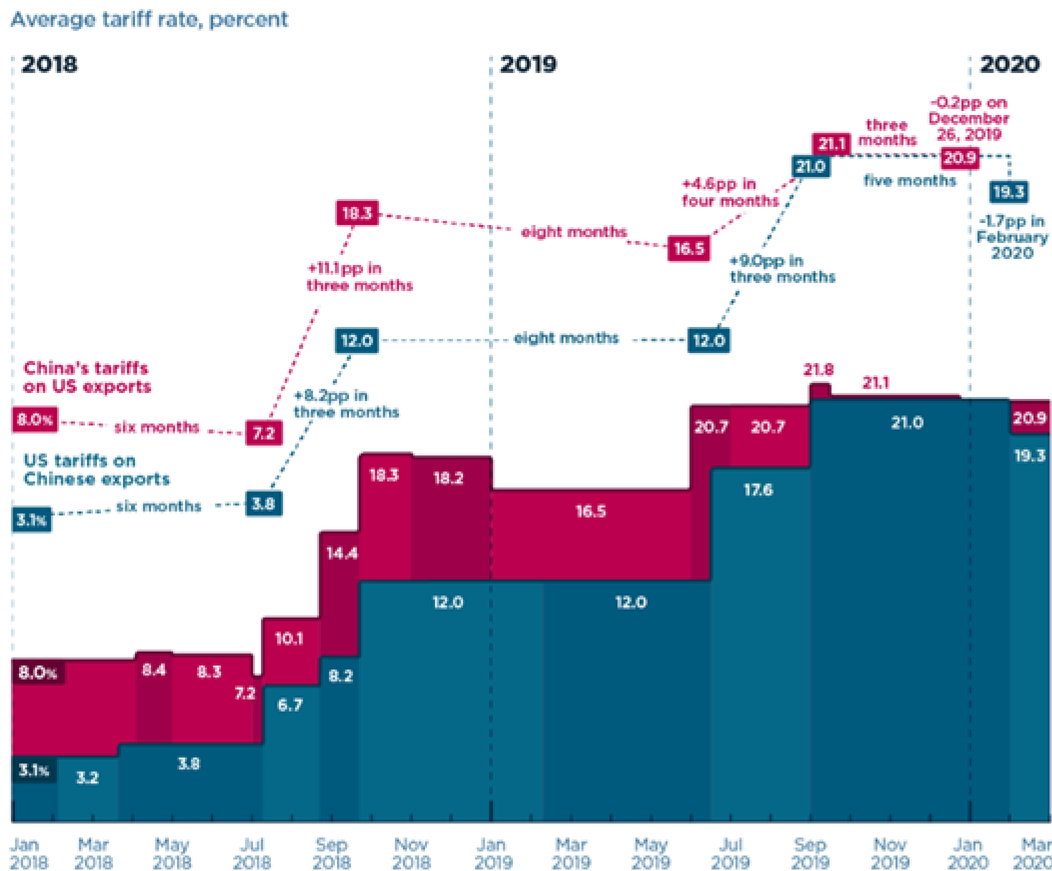
The key questions are: Will China be able to meet the additional purchase targets and does it ultimately matter?

The answer to the first question – I don't believe so and the answer to the second question – no, it doesn't matter, at least not in the short term.

The US is not considering lowering any tariffs on Chinese exports and therefore China will not lower the tariffs it has imposed on US exports to China. The chart below from Chad Brown shows how US tariffs on Chinese exports and China's tariff on US exports have evolved over the last two years and stand at an average of 20%. You can be sure that China is not going to buy from the US at a worse price, just to meet the targets of the deal, if it can get the same product and services at a better price from Europe or elsewhere. Such a practice may be barred under the World Trade Organisation (WTO) rules as it would be seen as an unfair trade practice.

China not meeting its target as per the deal may not matter in the short term as far as the US Presidential elections are concerned. The official US trade statistics for 2020 won't be available until March 2021 i.e. US voters will be unable to evaluate the success or failure of Trump's China deal before they go to the polls in November. This deal allows Trump to talk about his deal-making prowess endlessly, without any way to challenge those claims.

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.



Source: PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS (PIIE)

The deal also contains a unique and unprecedented dispute settlement chapter – bilateral consultations and no outsourcing of disputes to third party arbitrators, as would be standard in other similar agreements, such as the World Trade Organization (WTO) or the US-Mexico-Canada Agreement (USMCA). Therefore, if the United States Trade Representative (USTR) determines China not to have purchased the amounts as per the deal, then the USTR may retaliate unilaterally by any means adequate. China cannot take the matter to any court to delay the action. Expect Trump to use this clause and double down on tariffs for political gains if he finds himself behind in the polls as we get close to November.

On the other hand, the agreement does contain a termination clause. China can pull out of the deal if it feels the USTR has pushed disputes too far. Therefore the deal is a delicate truce that can be shattered with little notice or forewarning. This fight is far from over.

Is there anything good about the deal? Well, yes.

The deal, with its risk notwithstanding, is a welcome one. Both sides have made compromises and both sides want to maintain the truce for domestic policy concerns. For China. 2019 was supposed to focus on celebrating the 70th anniversary of Communist Party rule and its success in lifting hundreds of millions of people out of poverty. Instead, the trade war took the bulk of that joy away and hurt growth. For the

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

US, China which had largely stopped buying US crops to retaliate against tariffs hit Trump supporters in farm states and therefore his future in the White House. Getting China to agree to increased purchases of US farm goods is a major win for Trump, as is the enforcement mechanism in the deal. The financial liberalization promise in the deal is another plus. The pace of financial opening is faster than previously announced, with ownership restrictions in all financial sectors to be removed by April 1, a big boost to US financials looking to increase their business in China.

This deal will help markets and corporates breathe a sigh of relief. No more new tariffs (at least for now) or forced relocation of US manufacturing away from China in a very short time. Recall Trump's tweet on Aug. 23, in which he "hereby ordered" US firms "to start immediately looking for an alternative to China, including bringing…your companies HOME." None of that is welcome news and it will allow corporates to plan their capital expenditures better as also allow businesses to lobby and influence future decisions as the crucial Phase II talks get underway. A China that grows is not only good for China and the US but for the rest of the world too.

The world's two largest economies – the US and China – have their fates inextricably linked. In a way, they complement and need each other. China cannot compete (yet) with the US when it comes to product design or research and development capabilities and the US cannot compete with China when it comes to manufacturing. The world's most cost-competitive and largest electronics industry supply chain has taken shape in Shenzhen, China. China's manufacturing capacity is so well-honed and organised that it accounts for more than 25% of global manufacturing. China is the leading producer of 220 of the world's 500 major industrial products and is the only country that has all the industrial categories in the United Nations Industrial Classification.

In the future, don't be surprised if you see the US companies play a bigger role in China's Belt and Road Initiative (BRI) as the talks get more harmonious. China has built some of the world's best infrastructure and America's infrastructure is crumbling. There is plenty for these two nations to co-operate and work on. As the US and China increasingly see the merits of working with each other, both will target the European Union (EU) and this will make the EU vulnerable to aggressive trade practises by both China and the US.

Markets and the Economy

In the December newsletter, I forecast that Boris Johnson's Conservative party would win a majority of 25-40 seats (with risk to the upside). That risk to the upside materialised as the Conservatives won a landslide 80 seat majority, their largest win since 1987. In less than ten days' time the UK will leave the European Union (EU) and chart its path in a fast-changing world. One hopes it will be time for a Thatcher-era like revolution of the 1980s. Then Britain broke the shackles of Trade Unionism and the belief that the state was the answer to every question. A post-Brexit UK should adopt economic and competition policies which are solely in the long term national interest. Not having the EU shackles will be a great help in achieving this.

This week the International Monetary Fund (IMF) upgraded UK's growth and the UK is now set to outperform the Eurozone over the next two years. No publication was bigger or better than The Financial Times (FT) when it came to trumpeting the risk Brexit posed to the UK economy. It published every scare story and prediction and repeated them ad nauseam. So imagine my surprise to read an op-ed in the FT

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

recently, titled How Britain can prosper after it leaves the EU. What a welcome change of tune! Not only that, it seems a Truth and Reconciliation Commission may not be necessary. The FT's outgoing editor Lionel Barber now claims he always "felt a bit ambivalent about it [Brexit]" and he "never denied there are huge opportunities for Britain outside the EU." Bless Mr Barber. It seems he has reached the "acceptance" stage of the Kübler-Ross model of grief.

Reuters reported this week that A thousand EU financial firms plan to open UK offices after Brexit. Despite all the positive news, the final deal is yet to be done. Given the signs and progress so far, the chances of a tariff-free trade deal between the UK and the EU look brighter for the simple reason that the EU benefits from it at least as much, if not more, than the UK. I look forward to the UK Budget on March 11. The budget is likely to focus on a stamp duty cut for property transactions, tax cuts in the shape of an increase in the threshold of National Insurance (NI) as well as increased government spending. Do not expect the GBP/USD to rally even if good economic data starts piling up. A decisive move up in GBP/USD will not happen until at least Q4 when the contours of a Brexit trade deal will be clearer.

Across the Atlantic, Trump became the third president in US history to be impeached by the House of Representatives, formally charged with 2 articles of impeachments for abuse of power and obstruction of Congress. The vote passed in a Democrat-controlled House, but still needs to be passed by the Republican-controlled Senate (which is highly unlikely). No president in the 243-year history of the US has been removed from office by impeachment. The impeachment trial and the vote, therefore, have been a non-event for the markets.

As the table below indicates, equities had an excellent 2019 – the best in a decade. Just a few weeks into the New Year and the S&P 500 index is already topping some strategists' year-end targets. There is still a lot of cynicism about this rally. However, bear in mind just because the market has rallied doesn't necessarily mean it has to now fall. The US economy has been mixed with more good news than bad. Housing has led the way while manufacturing data remains weak and inflation pressures remain non-existent.

Benchmark Equity Index Performance

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Name	Country	Price	2018 Performance (USD)	2019 Performance (USD)	Year-to-Date (USD)
S&P 500 INDEX	**US**	**3,329**	**-6.2%**	**28.9%**	**3.1%**
NASDAQ COMPOSITE INDEX	US	9,415	-3.9%	35.2%	4.9%
DOW JONES INDUS. AVG	US	29,210	-5.6%	22.3%	2.4%
Euro Stoxx 50 Pr	**Europe**	**3,770**	**-18.3%**	**22.0%**	**-0.5%**
FTSE 100 INDEX	Great Britain	7,572	-17.7%	16.5%	-0.5%
DAX INDEX	Germany	13,516	-22.1%	22.7%	0.9%
CAC 40 INDEX	France	6,011	-15.1%	23.6%	-0.6%
FTSE MIB INDEX	Italy	23,706	-20.1%	25.4%	-0.3%
IBEX 35 INDEX	Spain	9,574	-18.9%	9.3%	-0.9%
NIKKEI 225	**Japan**	**24,031**	**-9.6%**	**17.1%**	**0.4%**
MSCI EM	**Emerging Markets**	**1,127**	**-16.6%**	**15.4%**	**1.1%**
HANG SENG INDEX	Hong Kong	28,341	-13.4%	8.5%	0.3%
SHANGHAI SE COMPOSITE	China	3,061	-28.6%	23.8%	1.4%
BRAZIL IBOVESPA INDEX	Brazil	117,880	-1.8%	36.2%	-2.1%
MOEX Russia Index	Russia	3,175	-6.8%	15.8%	4.2%
MSCI INDIA	India	1,386	-8.5%	11.0%	1.4%
MSCI TURKEY	Turkey	1,615,513	-43.1%	35.0%	8.1%

Source: Bloomberg

In the August newsletter, I wrote that in the next 6 months the SPX "would have risen to 3,360 or better (that is up +13% from current levels)". It seems we are on target to get there with a month to spare. Meanwhile, the US Federal Reserve (Fed) has continued to expand its balance sheet (chart below). The Fed is buying assets at a rate of over $60bn/month. It will likely continue doing so through 1Q20, before slowing to an "organic" $10-20bn/ month. Inflation expectations in the US have rebounded enough over the last three month to deter further interest rate cuts, but not nearly enough to warrant a return to rate hikes. All major economies – US, Japan, UK, Eurozone are in easing mode and China has also indicated an intent to join them with growth-supporting policies. The combination of a trade truce and policy easing is bullish for equities and the rally is set to continue at least for the first half of the year.

US Federal Reserve Banks Total Assets (in USD (m))

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Source: Bloomberg

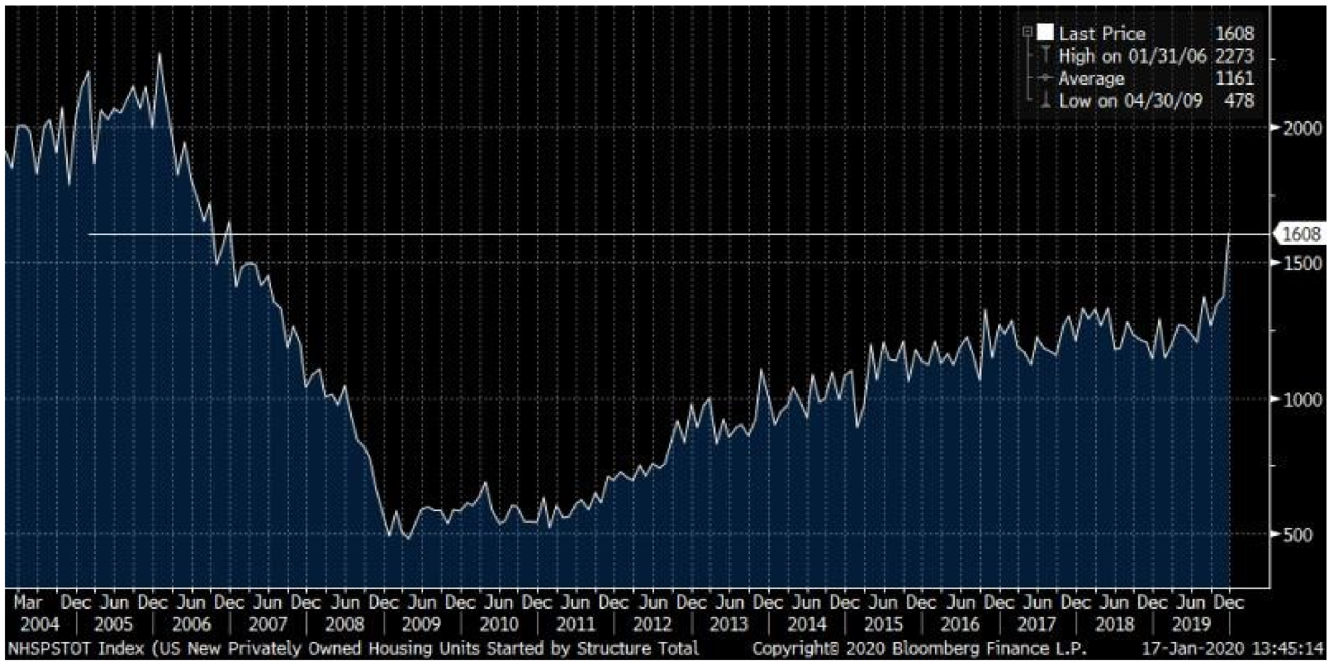
In continuing positive signs, the New York Fed's recession probability model (discussed in September's newsletter) which reached 38% in Q3 last year has continued its downward trend and is now at 23.6% in its latest update. This model uses the difference between 10-year and 3-month Treasury rates to calculate the probability of a recession in the US, twelve months ahead. As I said in the December newsletter, the NY Fed's recession indicator has likely peaked and a recession has been averted for at least two quarters, if not more.

This is also evidenced by the stunning US new privately-owned housing starts report (chart below) which went parabolic at last print. Analysts expected the US new housing starts for December to tick up to an annual pace of 1.37 million up marginally from a month earlier. The actual numbers were 1.6 million, a quarter of a million better. One has to go back to 2006 to the George W. Bush-era to witness such strong numbers. The sale of existing homes also increased +3.6% in December, according to the National Association of Realtors (NAR). Existing-home sales were up +10.8% in December, from a year earlier and this is leading to inventories tightening. "We are facing this dire housing shortage," said NAR chief economist Lawrence Yun. "We need to build more."

Trump's policies and Fed liquidity have lit a fire under the US housing market. Low unemployment and low mortgage rates are propelling the US housing market as it enters a new year. The US unemployment rate remained at +3.5% in December, a 50-year low. Further, borrowing conditions for homeowners are generally better than a year ago. The average US interest rate on a 30-year fixed mortgage is at 3.65% as of Jan. 16, according to Freddie Mac, up slightly from September's lows but well below from the levels 12-months ago of 4.4%.

US New privately-owned Housing starts

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.



Source: Bloomberg

Meanwhile in the Eurozone, as a disorderly Brexit has been averted, the EU stands to benefit and has one less worry to deal with. Fiscal policy is loosening as German centre-left parties clamour to relax fiscal rules. This week at the World Economic Forum (WEF) in Davos, Robert Habeck the co-leader of Germany's Green Party sided with the US in demanding more spending from Berlin, saying that Chancellor Angela Merkel should drop her balanced-budget "fetishism." He added, "I'm not a big fan of Donald Trump, but the US discussion is right — Germany is not doing enough and not spending enough." Trump, the European Commission, and the IMF have all targeted Germany's ballooning trade surplus and fiscal restraint, as a drag on European and global growth. Habeck, citing the US debate on a Green New Deal, said a German government with his party would spend more on green infrastructure, education and innovation. It is welcome news for Eurozone starved of growth.

Benchmark US equity sector performance

Ticker	Name	Country	Price	2018 Performance	2019 Performance	Year-to-Date Performance
XLF US Equity	FINANCIAL SELECT SECTOR SPDR	US	30.8875	-14.7%	29.2%	0.3%
XLK US Equity	TECHNOLOGY SELECT SECT SPDR	US	97.8599	-3.1%	47.9%	6.8%
XLV US Equity	HEALTH CARE SELECT SECTOR	US	104.795	4.6%	17.7%	2.9%
XLE US Equity	ENERGY SELECT SECTOR SPDR	US	57.44	-20.6%	4.7%	-4.3%
XLY US Equity	CONSUMER DISCRETIONARY SELT	US	128.18	0.3%	26.7%	2.2%
XLI US Equity	INDUSTRIAL SELECT SECT SPDR	US	83.16	-14.9%	26.5%	2.1%
XLP US Equity	CONSUMER STAPLES SPDR	US	64.18	-10.7%	24.0%	1.9%
XLU US Equity	UTILITIES SELECT SECTOR SPDR	US	67.7	0.5%	22.1%	4.8%
XLB US Equity	MATERIALS SELECT SECTOR SPDR	US	60.23	-16.5%	21.6%	-1.9%
XLRE US Equity	REAL ESTATE SELECT SECT SPDR	US	39.76	-5.9%	24.7%	2.8%
XLC US Equity	COMM SERV SELECT SECTOR SPDR	US	56.83	-17.4%	29.9%	6.0%

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.

Source: Bloomberg

Last month I wrote that "I expect the SPX to finish next year [2020] at 3,420 i.e. +10% higher from today's [December 5, 2019] level". I am not revising that target yet, although I will highlight that the risk is to the upside and not the downside.

In the US, I prefer to be long Financials (XLF), Consumer Discretionary (XLP), Healthcare (XLV) and Industrials (XLI) stocks, with an overweight position in Consumer Discretionary and Healthcare. Individual stocks in the Technology (XLK), Communication Services (XLC) also offer good upside. For specific stock recommendations, please do not hesitate to get in touch.

Lastly, it's worth mentioning what's happening with the mega-cap stocks. Alphabet, Google's parent company became the fourth US company (after Apple, Amazon and Microsoft) ever to achieve a $1 trillion market value. The massive gains for US technology stocks come with Silicon Valley companies dominating the world economy and flexing their muscles in new areas such as healthcare and transportation. Investors are rewarding companies that grow sales in this low economic growth and low-interest-rate environment. Tech companies do face the risk of anti-trust probes and Google and Facebook are particularly vulnerable. However, they both have continued to grow sales and investors are happy to assign them a higher value.

Best wishes,

Manish Singh, CFA

© 2026 Crossbridge Capital. All rights reserved.
This material is provided for informational purposes only and does not constitute investment advice.