# PVI – The Global Investment Newsletter

**November 20th, 2020**

## No Santa Claus Rally this year

Over the last few days and weeks, important events have shaped for the financial markets. The US election result has been ideal for the markets: Senate remains republican and Joe Biden will become new president. This means that any tax increases from the democrats will have to wait (as they will be blocked by the senate) and the relationship with China should improve somewhat (at least temporarily).
Yesterday we had big news, that Pfizer/Biontech has developed an effective vaccine against the Corona-Virus. This send the markets sharply upward, with economically sensitive sectors such as Oil gaining, while Technology showed weakness.

Therefore we foresee now that a top is in place in the markets, which may cause the S&P 500 to fall for the coming 2 months towards 3100-3200 Points. The cyclical sectors cannot drive the market higher as their weighting in the index is too low, so the starting weakness in the FAANG stocks will cause the S&P 500 to fall back. Current investor optimism is simply too high and needs a set-back. After the New Year, we should see another up-leg in the S&P 500.

## Precious Metals

Gold and Silver have sold off sharply, as the outlook for the economy has improved (with the vaccine) and interest rates have risen somewhat. We view this only as a temporary set-back which means that investors should look to buy Silver in the 22-23 USD range and Gold in the mid 1800s. November could bring in lows from where these markets should start upswings into Q1 2021 and beyond. Silver should rise into the 30ies by spring. The reason is that the economic upswing will need to be accommodated by the FED. The FED will hold the interest rate down during this upswing in order to help finance the large budget deficit. This will bring inflationary pressures into the economy – sooner than economists predict. The corona-crisis has speed up things in many ways. Long silver is the preferred trade with a target for 2021 of 40+ USD.

## Oil and Gas

The beaten down oil sector has come to life with the prospect of the vaccine. We would take any pullback in the XLE sector ETF to buy it. The price could fall back somewhat after yesterdays strong rally. This could be an excellent entry point in November, as the reopening of the economy from mid 2021 should drive oil consumption back to pre-covid levels. We foresee the XLE to trade over 60 USD by end of 2021. By 2022/23 it could trade well into the

80ies. This is a low risk, high reward trade since the XLE is a basket of high quality oil stocks like Exxon Mobile.

**Trading Recommendations:**

**Bayer AG**

Our last recommendation (Bayer AG, WKN: BAY001, ISIN: DE000BAY0017) reached an intraday low-point in the 39 Euro range, just within our target.

*Source: www.bigcharts.com*

The shares rallied strongly with the vaccine-news and the sector-ration in the market. CEO Baumann and other insiders have bought shares worth over 2,8 Mio. Euros after the quarter results. The results were bad, but this was already priced in. With this lower base, the results in the Agri-Business will improve strongly in 2021. We foresee the shares to trade range-bound in the coming weeks, after which they should continue to rally in Q1.

**Natural Gas Equities**

**Peyto**

Peyto (Market Cap: 500 Mio. CAD, WKN: A1H5LQ, ISIN: CA7170461064, trade shares in Canada) is a natural gas producer in Canada, which has low-cost production gas fields. The company is well run for shareholder value, but has suffered immensely from the low gas price environment. The gas price has turned up since mid-2021, because the Covid-crisis lead to a falling oil prices and oil exploration. This in turn led to shrinking oil-associated gas production which has started the bull market in natural gas. With the winter approaching, we foresee the market coming into severe deficit (as gas only drilling was and is still much below replacement levels). Traders can exploit this opportunity by investing in shares of Peyto, which should release its quarterly numbers later this week. This could already spark the next up move in these undervalued shares. We have a target of 3,5-4 CAD for the coming weeks and 5-7 CAD by late spring 2021.

*Peyto 2-year stock chart:*


*Source: www.bigcharts.com*

**Also shares of EQT** (the largest US gas producer, Market Cap: 3,7 B USD, WKN: A0RFZL, ISIN: US26884L1098, trade shares in US) should provide nice potential. The stock (currently at 13,8 USD) could trade into the 25-30 USD by late spring 2021.

**Gas futures** (currently at 2,9 USD) should soon find a bottom and turn higher as winter approaches. Spot gas should trade over 4 USD in the winter months.

The risk to this trade is obviously the weather. Only a very warm winter in the US could change this markets bullish direction. On the other hand, a cold winter would send prices soaring to the upside. We see this as an asymmetrical opportunity.

**Buy Peyto**, Current price: 2,85 CAD,

Target 5-7 CAD, Timeframe: 2 – 6 Months, Stopp/Loss 2 CAD

**Current Model Portfolio: (starting value on 01/01/2020: 100.000 Euro)**

**YTD return: +23,25%***

| | |
|---|---|
| **100.000** | **Euro Cash** |
| **23.250** | **Euro Peyto Inc (entry 11/11/2020: 2,85 CAD)** |
| **123.250** | **Euro Total Value as of 10/22/2020** |

*the model portfolio assumes a flat tax rate of 25% on profits generated