

## Weekly Flash

### Megatrends – Water

#### MARKET PERFORMANCES (as of November 27, 2020 – 15:30 CET)

	CURRENT	CHANGE 1 WEEK	CHANGE YTD		CURRENT	CHANGE 1 WEEK	CHANGE YTD
S&P 500 Index	3'629.65	1.33%	12.35%	Gold	1'780.08	-4.83%	17.35%
S&P/Toronto Stock	17'351.34	1.95%	1.69%	Silver	22.57	-6.56%	26.74%
EuroStoxx 50	3'524.41	1.64%	-5.89%	Oil WTI	45.35	8.65%	-25.73%
SMI Index	10'466.82	-0.27%	-1.41%	EUR/USD	1.1943	0.75%	6.56%
DAX Index	13'318.63	1.38%	0.53%	EUR/CHF	1.0818	-0.18%	0.32%
Nikkei Index	26'644.71	3.94%	12.63%	USD/CHF	0.9059	0.51%	-6.50%
Emerging Market Index	68'943.69	1.41%	12.16%	USD/JPY	104.09	-0.26%	-4.27%
Yield 10Y US Treasuries	0.855	0.0310	-106.31	CAD/USD	0.7705	-0.91%	-0.12%
Yield 10Y German Bund	-0.583	0.0019	-39.31	USD/CNY	6.5817	-0.30%	-5.78%

[Source: Bloomberg]

#### Summary

- Water demand is expected to outpace supply for many years to come. By 2025, 3.5bln people worldwide will live in water-stressed areas and 1.8bln people will only have access to contaminated drinking water.
- Attractive longer-term investment opportunities offer themes, such as water extraction and storage, water infrastructure and water efficiency.

#### Water demand outpacing supply over the next decades

The global water market comprises around USD 600 billion annually. The lack of water supply in combination of massively increasing demand for water is one of the world's biggest problems. By 2025, approximately 50% of the global population will live in water-stressed areas. As of today, 663 million people live without clean water and 2.4 billion have no access to adequate sanitation. Supply and demand are out of balance, which is triggered by the following developments: a) population growth and higher water consumption driven by urbanization and expansion of the middle class in emerging markets and its growing meat consumption, b) increased water use due to growing energy demand, c) climate change as global warming leads to draughts, and d) squandering due to depletion and pollution of ground water. Water scarcity triggers demand and demand usually creates investment opportunities. In our view, three investment themes related to water scarcity are attractive.

#### Water extraction and storage

In order to increase water supply in arid countries water desalination becomes more attractive thanks to technological advances. Desalination costs are expected to be significantly reduced by up to 60% during the next twenty years. According to Grand View Research, the global desalination equipment market size is anticipated to grow at a compound annual growth rate (CAGR) of 9.0% from 2020 to 2027. Rapid depletion in freshwater reserves and increasing water scarcity are expected to drive the demand for water desalination equipment over the forecast period. In addition, squandering needs to be addressed by fixing leaks in order to avoid 46 billion litres of treated water being lost worldwide every day. Satellite-assisted technology

used to discover potential water resources on other planets allows for efficient leakage detection from space. Major benefits of this technology are lower leakage detection costs, less capital expenditure requirements and the possibility to efficiently cover large areas.

#### Water infrastructure

To overcome water contamination issues, China invests considerable amounts in wastewater treatment plants each year. India plans to invest \$6bln to avoid untreated wastewater being discharged into the Ganges River as well as for water supply and sewerage systems. Currently, around 70% of fresh water contamination results from agriculture while at the same time about 70% of fresh water usage goes to agriculture. For the U.S., necessary investments for maintenance, repair and construction of municipal water systems are estimated to be above \$1 trillion.

#### Water efficiency

Technological improvements, advanced monitoring, and leakage prevention help to use water resources in a more efficient way. Modern irrigation systems can reduce agricultural water usage by 30% to 70%. Smart, consumption based metering and billing solutions in residential and commercial buildings are a growing trend. Water demand management based on smart technology helps to ensure that consumers pay for the water they use.

#### Conclusion

**The world is confronted with a massive imbalance of water demand and supply. Climate change, population growth, urbanization and higher consumption are the main drivers. Companies helping to solve problems related to water scarcity, water contamination and water efficiency represent attractive investment opportunities while having a positive impact on our lives.**

**Please contact your Wealth Management Advisor for more information regarding our Megatrends and stock specific recommendations.**

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