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Dear eToro investors,

The fourth quarter of 2020 looks set to be an eventful period for investors.

As we begin the final quarter of the year, many countries around the world are unfortunately seeing a rise in coronavirus cases. These “second waves” of Covid-19 are leading to the implementation of new lockdown measures. The situation could get worse before it gets better. The World Health Organization (WHO) has warned that a “very serious situation” is unfolding in Europe.

The good news here is that researchers are making progress on the vaccine front. Currently, nine vaccines are in Phase 3 trials, where they are being given to thousands of people to test their safety. More vaccines are likely to progress into late-stage trials over the coming months. Hopefully, we will see a vaccine approved by the end of the year. This could result in mass vaccination in 2021 and put the world on the path back to normality.

Another issue that is likely to be at the forefront of investors’ minds this quarter is the US election, which is set to take place in early November. The outcome of this election, which right now is impossible to call, is likely to have a number of ramifications for financial markets. Recent history shows that election results can have powerful effects on asset prices.

It’s worth pointing out that, historically, S&P 500 volatility has typically been higher in election years. So, investors should expect some turbulence over the next few months. Futures on the CBOE Volatility Index, aka the “Fear Index”, which expire in late October, point to expectations for larger market moves around the election period. As we move closer to the election we may see President Trump take a more aggressive approach toward both the Democratic Party and China, which could certainly heighten volatility.

Finally, the technology sector, which has powered equity markets higher this year, is also likely to be a key focus this quarter. Tech stocks have enjoyed a phenomenal run since late March, with the NASDAQ 100 index up more than 75% from its March lows at one point. Many investors are now concerned about valuations in the sector. Given that the US tech sector was more valuable by market cap than the entire European stock market at one stage in the third quarter, this is certainly an issue for investors to keep an eye on.

In summary, Q4 could be a turbulent quarter for financial markets. Remember, though, financial market volatility is a very normal part of investing. So, don’t let short-term turbulence put you off. Focus on your long-term financial strategy and look for opportunities in attractively-valued markets and sectors. As always, there are plenty of opportunities if you know where to look.

I wish you all the best for the quarter ahead.

Gil Shapira
Chief Investment Officer
It seems the COVID-19 Pandemic continues to set the tone as the leading event to impact an investment allocation, while other investors see several drivers including the recent sell-off in the tech sector and earning seasons as the main impact points of their portfolio allocation in the previous quarter.

Looking into Q4 2020, US elections are the main event to follow as the derived consequences of the presidency campaign can bring impact on investors in capital markets along with US-China related escalation, tax implications and others. Of Course COVID19 remains a strong candidate to consider with portfolio allocation as fears of global second wave are increasing and potential lockdowns are considered again across the globe.

In regards to global equity markets, investors seem to be more careful towards a continued bull run, setting neutral as the main view. Tech remains the expected main growth driver for markets and the community believes that US earnings are set to be in line with expectations.

Though the race for vaccinations is a main concern globally, only 33% have already included relevant Pharma companies as part of their allocation and the majority (59%) are not considering diversifying into this topic.

We have challenged the community with a comparison between Gold and Crypto assets for their value storing potential. 49% still see Gold as a main alternative to store value but crypto assets seem to grow in demand as investors continue looking for such alternatives in a volatile environment.

Finally, in commodities, investors think that oil will stabilise in its current range ($37.5-42.5) and in regards to the recent shifts in the EUR/USD we see the community divided with their view of the world’s leading FX pair. The majority of participants did not share their view on this asset.
1: What event had the biggest impact over your holdings on the last quarter?
- Covid-19 Pandemic
- Corporate Earnings season
- Global sell-off in Tech Stocks
- US-China Tensions
- Other

2: Which do you think will have the largest impact on your holdings in the coming quarter?
- Covid-19 Second Wave
- Possibility of a COVID Vaccine
- US-China Tensions
- US Elections
- Other

3: What is your view regarding the global equity market over the next quarter?
- Very bullish
- Bullish
- Neutral
- Bearish
- Very bearish

4: What do you expect the next quarter’s US earnings results to be like?
- Higher than expectations
- In line with expectations
- Lower than expectations
- No idea
5: Do you consider diversifying to Pharma and BioTech as the race for COVID19 vaccine accelerates

- Yes: 33%
- No: 59%
- Already part of my allocation: 8%
- No idea: 5%

6: Do you believe cryptocurrencies will be more relevant for storing value than gold in the long term?

- Yes: 21%
- No: 30%
- No idea: 49%

7: Do you believe the oil price is more likely to trade above $42.5/barrel, below $37.5/barrel or in between at the end of next quarter?

- >$42.5: 26%
- Between $37.5 and $42.5: 15%
- <$37.5: 39%
- No idea: 19%

8: Considering low US FED rates, do you believe the EURUSD is more likely to trade above 1.2000, below 1.1700 or in between at the end of next quarter?

- >1.2000: 32%
- Between 1.1700 and 1.2000: 21%
- <1.1700: 29%
- No idea: 18%
Going Cashless

As digital as today’s world may be, there are still many people who use cash regularly. Specific demographics, such as the elderly, are less likely to join the cashless society and many of them maintain the use of cash as their primary payment method. However, all of that changed during the COVID-19 pandemic and subsequent economic crisis. In Canada, for example, seniors over 65 started using non-cash payments twice as much.

Billions of people around the world were in isolation, and as stores and restaurants closed down or switched to delivery-only, an adjustment in the payment ecosystem was needed. Moreover, a physical currency that is transferred from hand to hand was also perceived as spreading germs. The World Health Organization even officially recommended minimising the use of paper money.

The consumer behaviour of using mobile payments systems was already on the rise, but now it became a necessity. In Sweden, for example, there were more cashless than cash transactions in 2019, positioning the Scandinavian country as a world leader in the category.

Apps that require digital payment, such as those used for food and grocery delivery, became increasingly popular, forcing even those who use cash religiously to switch to a digital payment strategy. And, once the floodgates were open, these members of society who were strong-armed into going cashless, may never go back to it again.

Mobile Payments

Using smartphones as a payment method is not a very new idea. In recent years, an increasing number of smartphone and OS manufacturers have added mobile payment options to their devices, using contactless technology, such as Near-Field Communication (NFC).

Apple Pay and Google Pay are becoming more widely available, and people around the world are using their smartphones instead of cash or credit cards.
During the pandemic, businesses became more open to such payment methods. In the US, popular supermarket chain Publix started accepting Apple Pay for the first time ever.

However, it is not necessary to even own a smartphone to become part of the cashless trend. Credit and debit cards have been in use for decades and in many places around the world, people only carry their cards and have not felt the touch of paper money or metal coins in years. In the US, for example, 75% of the population have said that they would rather use a credit or debit card, rather than cash.

On eToro, investors can gain exposure to a diversified portfolio, comprising mobile-based payment companies through the MobilePayments CopyPortfolio.

**The Future of Money**

Digital payments today exist in many forms. In China, the Tencent-owned WeChat app, which serves many purposes, has also become a prominent payment method. In fact, the use of WeChat as a payment method has become so popular, that tourists sometimes struggled to find businesses that accept other payment methods. In India, the government announced a partnership with MasterCard, as part of its “Cashless India” initiative, in the hope of making the world's second most populated country completely cash-free.

Cryptocurrencies have long been hailed as the future of money, alongside mobile payment platforms. While the volume of cryptocurrency use is nowhere near that of fiat currencies, it still presents a new approach. If in the past, those in need of money transfer services or e-commerce sites had to have a bank account and credit card, now all they need is Internet access.

For investors who believe that crypto and digital payments will replace existing methods, eToro has created the FuturePayments CopyPortfolio. The portfolio offers exposure to companies spanning a variety of sectors, such as digital payments and blockchain.

**The Changes Ahead**

There are likely quite a few habits that will stick with us well after the coronavirus goes away. One of the possible changes may be the introduction of more work-from-home positions in organisations, and perhaps firms with entirely remote operation and no real estate at all. Another likely change would be the introduction of health scans, alongside security scans at airports.

And lastly, it could be argued that the COVID-19 pandemic was the proof-of-concept needed for a cashless economy. **Today, entire societies are going nearly or completely cash-free — and this change may be here for good.**

**Sources:**
https://eandt.theiet.org/content/articles/2020/05/over-65s-double-online-payments-since-lockdown/
Making the link Between Theory and Practice: Meet Popular Investor, Alexandre Illouz

Investing in the financial market is not easy, and any seasoned investor will tell you that it requires much research and a deep understanding of finance. However, Popular Investor Alexandre Illouz (@Alexillouz) takes research and theory to the next level with his academic approach to online markets. We asked him a few questions regarding his investment style and personal life.

Tell us a little about yourself. What do you do for a living? For fun? Family?

I work as a financial analyst in corporate finance. During my free time, I like to hang out with my friends, play the guitar (I started playing 20 years ago), and listen to rock music. I am also a big fan of boxing and rugby. Also, when I have time, I like to go to the gym.

Where do you do your research on the instruments in which you invest?

I read articles from the ETF Trends website which I find really helpful for discovering new ETFs and following up with tendencies in the ETF investment universe. I also like ETF.com for studying characteristics of ETFs, making comparisons and checking weekly ETFs inflows. For financial and economic news, I use Investing.com, Barron's and Seeking Alpha. Finally, I read academic research papers to study investment strategies and make the link between theory and practice.

What is your experience with financial investments?

I have a BSc in Financial Engineering and a Masters in Applied Economics. I have also passed the exams for the levels 1 and 2 of the CFA program. I created my own investment strategies by reading academic papers, doing online research about investing and developing quantitative models.

Do you have any specific profit goals for each year? How do you achieve/plan to achieve them?

I don't have specific profit targets in absolute terms. The goal of my investment strategy is to beat the S&P 500 Index. It aims to provide higher returns with controlled risk over a long-term horizon of three-five years. To achieve this goal, the strategy is invested following momentum through different asset classes, while being hedged to reduce volatility and drawdowns during uncertain times.

How has eToro changed the way you trade?

I like how the eToro platform makes it easier to manage my portfolio and track the performance of my investments. I also like how eToro allows you to trade, get access to financial news, analyses and investment strategies from other investors in one place. The social aspect of eToro is amazing.
What is your trading strategy and have you changed it at all recently to adapt to the volatile markets?

My investment strategy is to only invest in ETFs and is based on momentum. It is an active strategy that rotates between leading ETFs from several baskets following key quantitative signals. The momentum strategy is also hedged with negatively correlated ETFs and diversified between different asset classes, sectors or different regions of the world. To adapt to the volatile markets, I have increased the hedging of my portfolio when the momentum strategy was mainly invested in equities. Overall, I make sure that my portfolio is well diversified between different asset classes. That helps to reduce risk. When market and economic conditions are adequate, the portfolio can also be more aggressive.

What are the benefits of being a Popular Investor?

It is really challenging and pushes me to work hard in order to develop strategies and try to manage my portfolio with transparency and professionalism. I really appreciate the side income that is provided and see it as a reward for my work.

Do you have anything to say to your copiers?

First, I would like to say “thank you” to all my copiers for the support and encouragement I have received. On the investment side, I recommend having a diversified portfolio with different investment strategies that fit your financial goals. I would also like to say to my copiers that I am open to suggestions regarding communication, so if there is any additional information that they think I can provide, they can contact me at any time.

75% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you can afford to take the high risk of losing your money. The above is educational material and should not be considered investment advice.
2020: A big year for tech IPOs

2020 is shaping up to be a big year for tech Initial Public Offerings (IPOs). After the coronavirus pandemic put many stock market flotations on hold earlier in the year, the IPO market has come roaring back to life in recent months with a number of major tech IPOs taking place. There are plenty more on the horizon. If the IPO market remains as hot as it is currently, 2020 could be the best year for technology public listings since the dot-com boom of 1999.

Why the tech IPO market is booming

There are a number of reasons the technology IPO market is booming right now.

The first is that market conditions are perfect for public listings. Earlier in the year, there was a high level of volatility in the stock market due to Covid-19. It was not a good time for companies to go public. Now though, market conditions are very different. Not only has the market stabilised, but the technology sector has performed very well, powering both the NASDAQ and the S&P 500 to record highs. As a result, tech startups are scrambling to go public. “Companies are taking advantage of prime conditions to raise money,” says Paul Condra, emerging technology analyst at research firm PitchBook.

The second reason the tech IPO market is on fire is that the coronavirus pandemic has sped up the shift towards digital businesses. Because Covid-19 has accelerated the adoption of technologies such as cloud computing, online shopping, and digital payments, many technology startups are experiencing strong growth right now. These tech companies want to get to the market while they are growing rapidly.

A third reason that we are seeing a large number of tech IPOs is that investor demand for new technology stocks is sky-high at present. Due to the fact that technology companies have thrived throughout the coronavirus pandemic, while so many traditional sectors such as hotels, airlines, and energy have been hard hit, investors are keen to invest in technology companies even if they are not yet profitable. It seems investors just can't get enough of new tech names right now.

Because Covid-19 has accelerated the adoption of technologies many technology start-ups are experiencing strong growth right now.

Due to the fact that technology companies have thrived throughout the coronavirus pandemic investors are keen to invest in technology companies.
Blockbuster tech IPOs of 2020

Already in 2020, we have seen a number of big technology IPOs that have delivered blockbuster gains for investors. Three big recent IPOs include:

- **Snowflake (SNOW):** this cloud technology company, which offers a platform that makes it easier for businesses to access and analyse the vast amounts of data they hold, came to the market on September 16th. It raised nearly $3.4 billion from the IPO, making it the largest tech IPO of the year so far and the biggest software IPO of all time. The IPO was a huge success for investors, with SNOW shares rising spectacularly on the first day of trading and closing at $254 — 112% above the IPO price of $120. This put its market cap at around $70 billion, almost six times the private valuation the business had when it raised money earlier this year.

- **JFrog (FROG):** also floating on September 16th was cloud software provider JFrog. Founded in Israel in 2008, but now based in Sunnyvale, California, JFrog offers a platform that enables businesses to manage software updates more efficiently. JFrog had a strong market debut with its shares rising by as much as 62% on the first day of trading. The stock closed at $64.79, 47% higher than the IPO price of $44, giving the company a market cap of $5.7 billion.

- **Unity Software (U):** this IPO, which took place on September 18th, was another big success for investors. Unity is a technology company that offers a platform for developers to build video games. Its platform enables content creators to create, operate, and fully monetise games more efficiently. After being priced at $52 per share, Unity Software shares debuted 44% higher at $75 per share. The stock ended its first day up 31% at $68, giving the company a valuation of about $18 billion.

Looking ahead, there are a number of other exciting tech IPOs on the horizon that could potentially deliver gains for investors including:

- **Ant Group:** Ant is the parent company of Alipay — China's largest digital payment platform with over 1 billion users. An affiliate of the Chinese company Alibaba Group, it is the world's highest valued financial technology (FinTech) company. Details of the Ant Group's IPO are still vague, however, experts say it could be the world's largest IPO and come as soon as October. The IPO valuation could be as high as $300 billion. This means that the IPO would dwarf the recent US tech IPOs we have seen. Ant plans to list simultaneously in Hong Kong and Shanghai.

- **Airbnb:** well-known home sharing platform Airbnb was originally planning to have its IPO back in March. However, then the coronavirus hit and its revenues plummeted, so the company postponed the IPO. Now though, it looks like the IPO is back on — on August 19th, the company filed for an IPO with the US Securities and Exchange Commission (SEC). No IPO details have been released yet, however, the company was valued at $18 billion in its last funding round in April.

**eToro is focused on the IPO opportunity**

With so much going on in the IPO space right now, it is an exciting time to be an investor. Many disruptive companies are coming to the market and this is providing plenty of opportunities for investors.

eToro is focused on the IPO opportunity. On eToro, you can add the latest publicly listed technology companies to your portfolio with zero trading commission.
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