Pandemic makes world’s billionaires — and their advisers — richer

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Global trend suggests the Covid-19 crisis is widening financial inequalities

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Sam Jones in Zurich and Valentina Romei in London

The world reels from the economic aftershocks of the coronavirus pandemic but for the Swiss bankers shepherding the fortunes of the world’s super-rich, it is boom time.

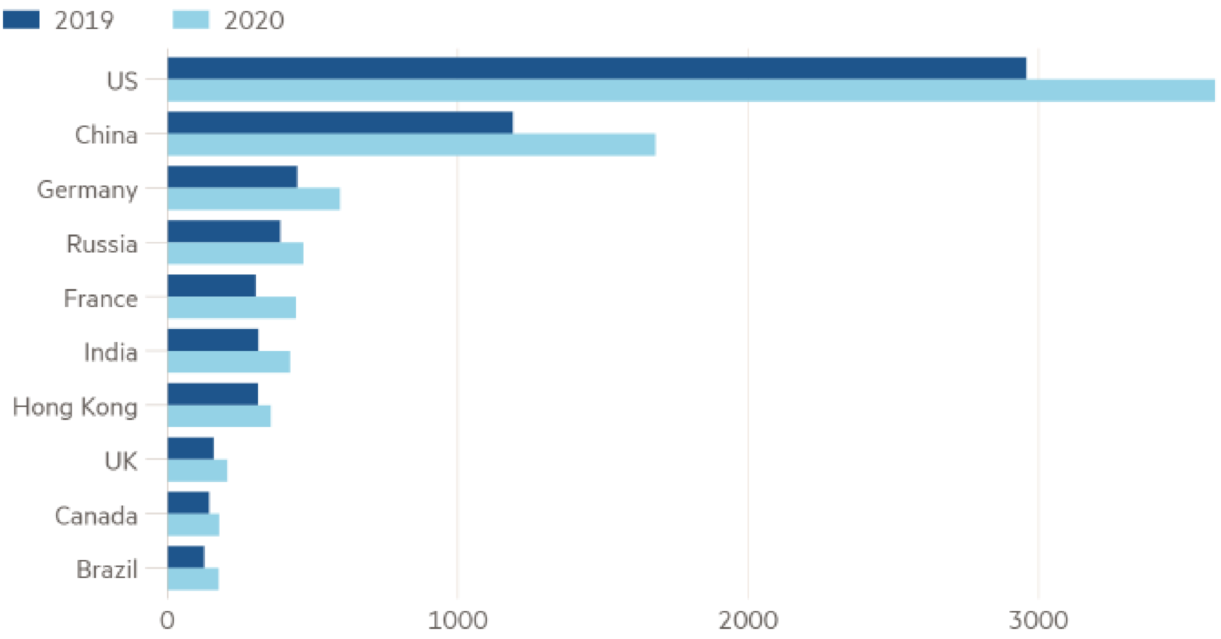
Switzerland’s dozens of other ultra-discreet, storied private banks — depositories such as Lombard Odier, once lender to Napoleon — have watched their clients’ assets surge this year. The larger ones are benefiting too: this week Zurich-based UBS, whose private bank operations are the world’s largest, reported its best quarterly earnings in a decade. Next week, its rival Credit Suisse is predicted a similar bonanza.

“[Our clients] did not panic during the sell-down,” Sergio Ermotti, UBS’s chief executive told the Financial Times. “Instead they used it to build up positions.”

The global economy is expected to contract 4.4 per cent this year — the sharpest contraction in modern history — throwing millions into poverty, according to the IMF. But the world's billionaires have grown wealthier compared with 2019, according to data compiled by UBS. The trend, observed across regions from Brazil and China to the US and Germany, is further indication the pandemic could deepen inequalities.

Wealth of billionaires has increased in all major economies

$bn



2019=April, 2020=July
Source: UBS

Some bankers believe the last time the super-rich had it this good was in 2009, after the great financial crunch. As was the case then, the crisis has been as much of an investment opportunity as it has a threat. This time, the scale of the payday is far greater, thanks to governments and central banks' quicker reaction to cushion the blow.

"Compared to '08, '09, you had a huge stimulus coming into the system straight away," said Mr Ermotti, who stepped down this week after nine years leading the bank. "And there was already plenty of liquidity, with very little places for it to go. As a result, asset prices across financial markets have held up very well."

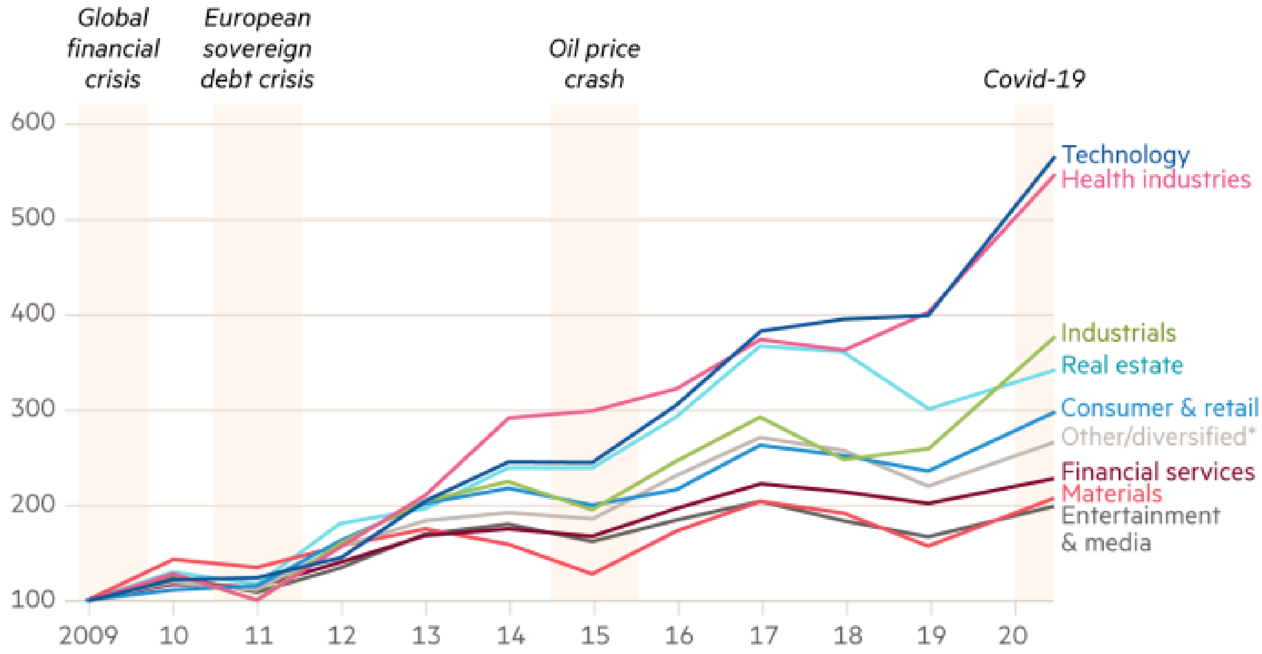
Less than a year ago, analysts across Wall Street fretted about the wild valuations of technology stocks. The pandemic has washed all such concerns away.

The net worth of Amazon chief executive Jeff Bezos rose by $73bn between mid-March and mid-September, powered by his holdings in the company, according to a report by the Institute for Policy Studies, a US think-tank.

Over the same period Mark Zuckerberg, chief executive at Facebook and Elon Musk, chief executive at Tesla and SpaceX, each enjoyed a net worth increase of more than $45bn each.

The wealth of tech and healthcare billionaires increased with the pandemic

Billionaire wealth by industry, standardised annual growth (%)



*Other contains conglomerates and non-attributable categories. 2020 to July 31
Source: UBS
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In China, the world's fastest growing nursery for the super-rich, 257 people became billionaires this year. The country's established tycoons were no less fortunate.

Jack Ma, founder of commerce platform Alibaba, increased his net worth by 45 per cent over the past 10 months. He is now worth $58.8bn, according to the Hurun Report, the benchmark monitor for the fortunes of China's oligopoly. In the 22 years the report has been compiled, there has never been a year in which the wealth of those on it has grown so much.

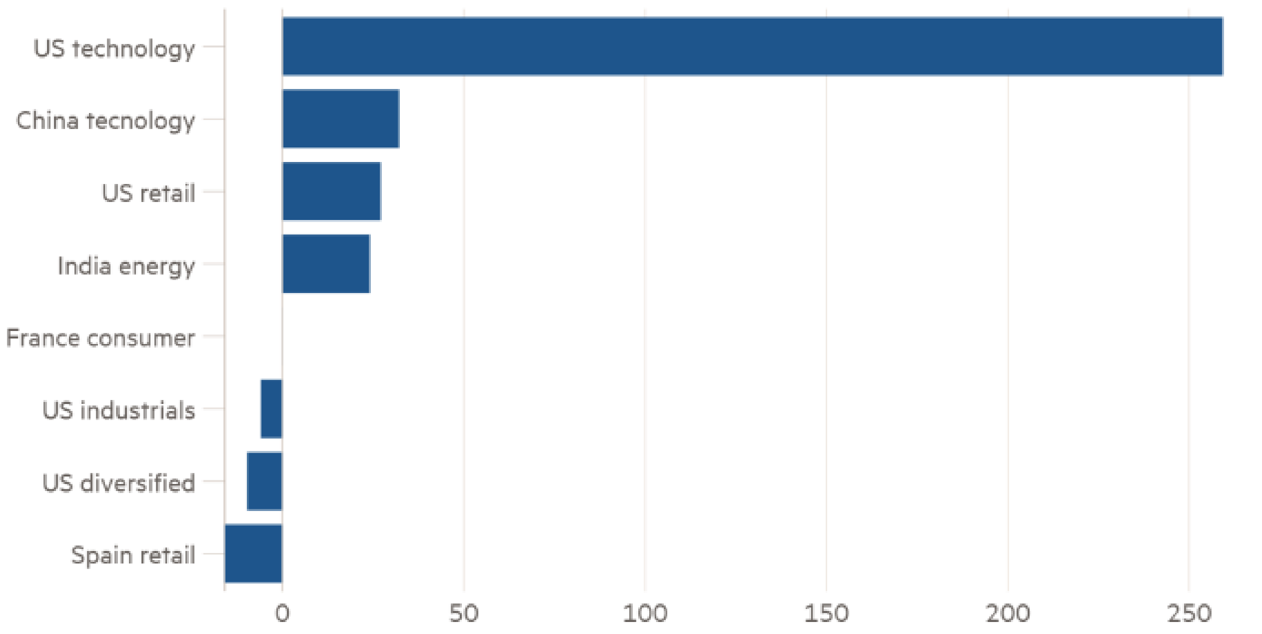
The eye-catching successes of celebrity billionaires is half the picture. Across the board, the pandemic has made the rich richer. For many, the key was advice their bankers gave them right at the outset of the crisis: don't sell.

"If you panicked and sold out in February or early March it would have been very difficult to come back because the market recovered so quickly," says Nicole Curti, head of wealth adviser Stanhope Capital's Swiss arm. Ms Curti recounts the case of two wealthy brothers that Stanhope advises: one sold down his portfolio as the pandemic gripped. The other kept his risk. The second has seen his assets grow 7 per cent this year. The first has trod water.

“It’s been hard emotionally, but the key to performance this year was to remain invested,” Ms Curti says.

US tech billionaires dominate wealth creation this year

Top 20 billionaires, net worth change, year to Oct 20, $bn



Source: Bloomberg

Lombard Odier, which looks after SFr287bn of millionaire and billionaire money from around the globe, began telling its clients as early as February that they should be putting capital to work in panicked markets.

In January the bank tasked almost all of its quantitative analysts with a project to hoover up as much public data on economic indicators as they could: from traffic data in Asian cities to hospital figures in US states.

“It showed us very early on that despite lockdowns and despite some economic sectors being clearly disrupted — such as airlines — there was life in other sectors,” says Frédéric Rochat, one of Lombard Odier’s seven managing partners.

“We were very consistent on that since February. Don’t get out. Build hedges.”

One hedge in particular was pushed by many Swiss bankers and wealth advisers to their clients with great success this year — gold.

The precious metal hit a record high of $2,073 an ounce in August. Buying it was the corollary to the huge governmental stimuli that buoyed equity markets. Just as the rich benefited from public spending that kept stock market valuations stable, so too have they benefited from the fear generated by the huge government borrowing it has necessitated.

The theme is one that many of the world’s richest are expecting to continue as the true economic costs of the pandemic become clearer.

Soaring equity prices in tech and other niche sectors are the “short-term” trade of the crisis, says Mr Rochat.

“Longer term many investors are realising that — even more than in 2007 and 2008, when we started playing with these experimental fiscal economics. It is triggering a lot of questions now about what lies in the future . . . how inflation might make a comeback.”