



# Monthly Market Review November 2020



## One step forward, two steps back

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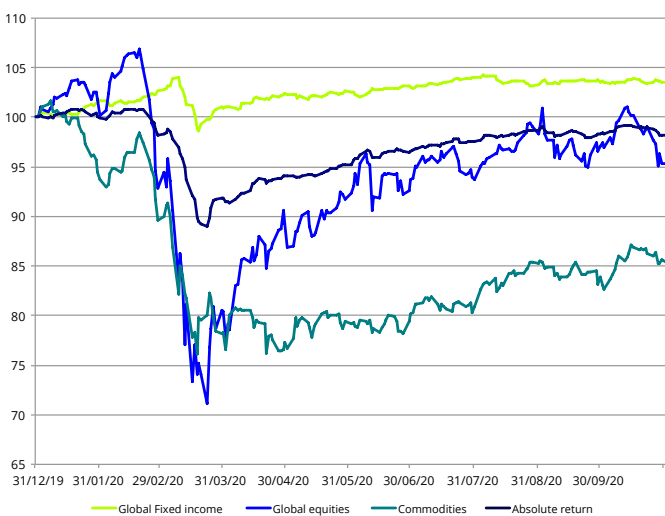
### October Review

The past few months have been full of ups and downs, but for investment markets it has resulted in only modest headway being made. August saw markets make gains of 5.7% yet September saw losses of 1.3% and October also shed 1.8% as resurgence in COVID-19 dampened market spirits again.

Indeed, late October saw stock markets drop by the largest amount since June, due to the short term influence of COVID-19 lock-downs and a lack of agreed government spending in advance of the US election. Furthermore, there weren't many places for investors to hide out during the month, as global bond markets saw a minor loss of -0.04%.

At time of writing, markets are digesting a new uncertainty, as the counting of votes continues in the US election. At this point it appears unlikely that a 'blue sweep' of Democratic victories will happen and it also appears there is a mood in the Trump camp to dispute any outcome that doesn't fall in his favour.

Figure 1: Asset class performances to 2/11/2020



Source: Bloomberg 3/11/2020

**WARNING: Past performance is not a reliable guide to future performance.**

### 4 snippets from October

#### 1. US election

Market sentiment about the US election has moved significantly in the past number of months. A few months back, markets were looking for a republican victory and a diet of deregulation and tax cuts. More recently, a divided government and the policy stability that would ensue was seen as preferential. Most recently, that has shifted again to a preference for a so called 'Blue Wave' with added fiscal stimulus being the preferred outcome.

At time of writing the result was unclear and pollsters see it as too close to call at this juncture. The 'Blue Wave' seems to be less likely, with the race for Congress looking more likely to remain as is. Making the assumption that Biden does win over the coming days, it seems quite likely that Trump will challenge the result in the courts. If this is the outcome, we can expect the resulting uncertainty to be unwelcome in markets in the short term and a cause for volatility. It does appear from movements in the bond market that market expectations are for a slightly lower fiscal package as a result.

#### 2. COVID-19 comeback

By the start of November, COVID-19 cases had reached 47 million worldwide with 1.2 million deaths. The US continues to top the list of the highest infection levels at 9.5 million, followed by India at 8.2 million. October saw a more challenging month for Europe, with infection levels increasing dramatically across the continent. With France and Germany now under national lockdown and increased restrictions in Italy and Spain, the big Eurozone economies may well see a slowing in their economies, after promising a sharp recovery in the late summer.

However the impact of the shutdowns is likely to be less negative than we saw in March/April- partly because some sectors have yet to recover from the first wave and partly because the measures aren't as strict.

## 4 snippets from October continued

### 3. Vaccine news

There are over 100 COVID-19 vaccines under development with a number in human trials and 8 in Phase III trials. Both Russia and China have already approved vaccines for use, but amongst the big pharmaceutical firms it is now a race to see who can deliver on a global scale. The expectation is that we will know by the end of this year whether there is a safe vaccine. However, it would be several months into 2021 before it would become available on a wider scale and well into 2021 before vaccination achieves a scale that could reach a large portion of the population.

### 4. Earnings season

As of the last week in October, earnings season had begun around the world and results were somewhat better than expected, when compared to the middle of the year. Overall 2020 estimates globally are up by 0.7% compared to the June estimates with a notable improvement in the US. Europe by contrast has seen some dis-improvement for 2020, but significant upgrades for recovery in 2021.

**WARNING: Past performance is not a reliable guide to future performance.**

**WARNING: The value of your investment may go down as well as up.**

**WARNING: If you invest in these funds you may lose some or all of your investment.**

**WARNING: These funds may be affected by changes in currency exchange rates.**

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