

Monthly Market Summary



November 2020

Summary: Record monthly return for global stocks

Global equities posted record strong performance in November +12.3% (in USD terms), whilst government bonds were mixed +0.1% (in USD terms). Key events included:

- Vaccine hopes triggering a broad market rally;
- US election uncertainty receding with a decisive Biden win;
- European virus cases responding to national lockdowns.

Exuberant investor sentiment prevailed in November as a string of positive vaccine trials at pharmaceutical groups Pfizer-BioNTech, Moderna and AstraZeneca – and the relative speed with which they look set to be distributed – led to a rally in risk assets. Within currencies, "safe havens" such as USD, CHF and JPY fell as October's risk aversion reversed, while emerging-market currencies saw strong momentum. Following a similar pattern, gold (-5.4%) and implied volatility (VIX, -45.9%) fell, while oil (Brent, +27%) rebounded sharply on prospects of resumed economic activity next year.

US: Election optimism, Split Congress, Stimulus stalemate

In addition to vaccine hopes, a decisive win for President-elect Joe Biden, President Trump's (eventual) instruction to start the transition of power and the prospect of a split Congress (subject to Georgia Senate races in January) helped to bolster market sentiment. During the month, economic momentum continued, albeit at a reduced rate, with US contagion not yet under control as New York closed its public-school system. Manufacturing (ISM) slowed but remained firmly in expansionary territory (57.5), retail sales grew (+0.3% m/m) and housing remained supported by record low interest rates. On the labour front, the 4-week average jobless claims increased in the week ending November 21 and reversed a previous downward trend. On stimulus matters, Treasury Secretary Mnuchin announced several Fed emergency lending programs to expire end of year – a move opposed by the US Fed.

Europe: Cases respond to measures, EU budget stand-off

Contagion rates trended lower across Europe, responding to more stringent measures, although Germany extended their partial lockdown until December 20 with infections still stubbornly high. A fall in economic sentiment (87.6) and curfews notwithstanding, European equities rebounded sharply (+18%), as sectors previously underperforming in 2020 (energy, financials, industrials) regained some lost ground. The Euro Area manufacturing PMI (Nov) offered a mixed picture at 53.8 reflecting ongoing momentum in factory activity. Germany's survey outperformed its regional peers at 57.8, whilst service PMIs across the region pointed to a six-month low amid new Covid-19 restrictions. Dovish ECB comments and October minutes added to expectations of further easing in December with consumer prices falling (-0.3%) y/y. Meanwhile, Poland and Hungary threatened to veto the EU pandemic fund.

Asia: China's factory strength, RCEP, Japan's rebound

China's economic momentum continued in November as factory activity expanded at its fastest pace in over three years (52.1), and services expanded for the ninth straight month (56.4), as consumer confidence and consumption recovered further. Covering close to one third of global GDP, China and 14 other countries signed one of the largest free trade deals in history – the RCEP. In Japan, the Nikkei 225 logged its best month in decades and retail sales (+6.4%) y/y saw their first month of growth since February, whilst the manufacturing PMI was revised higher to 49 in November.

Market summary (total return in local currency)

Fixed Income	Yield	1M %	1 Yr %
US 10 Yr	0.84%	0.3%	9.5%
UK 10 Yr	0.30%	-0.4%	3.4%
Swiss 10 Yr	-0.52%	-0.2%	-0.8%
German 10 Yr	-0.57%	-0.5%	1.4%
Global IG (hdg \$)	1.40%	2.2%	8.0%
Global HY (hdg \$)	4.91%	4.5%	6.0%

Equity Index	Level	1M %	1 Yr %
S&P 500	3'622	10.9%	17.4%
MSCI UK	10'470	13.1%	-13.5%
SMI	10'476	9.4%	3.3%
Eurostoxx 50	3'493	18.1%	-3.1%
Nikkei	26'434	15.0%	15.7%
Hang Seng	26'341	9.4%	3.3%
MSCI World (lcl)	296	11.4%	12.9%
MSCI World (\$)	314	12.3%	15.0%

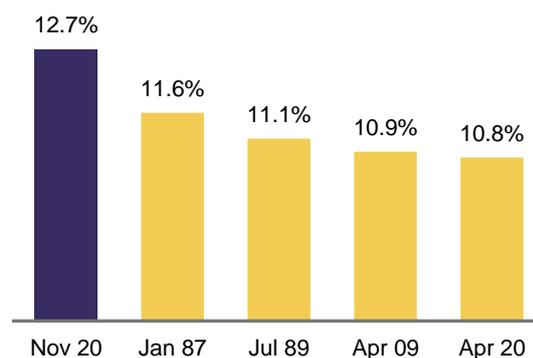
Currencies (trade-weighted, nominal)

US Dollar	-2.5%	-3.4%
Euro	-0.0%	6.1%
Yen	-1.4%	0.8%
Pound Sterling	0.8%	-1.7%
Swiss Franc	-1.1%	5.1%
Chinese Yuan	-0.0%	3.8%

Other	Level	1M %	1 Yr %
VIX	20.6	-45.9%	63.0%
Brent (\$/b)	47.6	27.0%	-23.8%
Gold (\$/oz)	1'777	-5.4%	21.4%

Global stocks: ranked monthly returns

MSCI World (in USD), price return, %



Source: Bloomberg, Rothschild & Co
Correct to 30.11.2020



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