

Monthly Market Summary

November 2021



Summary: Risk-off mode due to new coronavirus variant

After reaching new highs in mid-November, global equities came under pressure and lost 2.4% over the month (USD terms), whilst global government bonds were in demand and gained 1.1% (in USD, unhedged). Key events included:

- A new coronavirus variant Omicron stoking fears of a global economic slowdown;
- Investors shying away from risk assets and sectors exposed to the Pandemic; and
- Markets scaling back expectations of rate hikes despite inflation rising further.

At the beginning of November rising Covid-19 infection rates in central Europe stoked fears of renewed social restrictions and an economic slowdown. Investor sentiment then turned bearish with a fall in equity markets at the end of November as a new highly contagious Covid-19 variant, Omicron, identified in South Africa, started to spread. Investors worry that vaccines might be less efficient against it. Moreover, mixed signals by central banks fuelled volatility. While further increases in inflation support the Fed's plan to tighten monetary policy and taper asset purchase programmes quicker, the rise of Omicron and potential negative economic effects favour looser policy. Over the month, European and Asian stocks fell most, while safe-haven assets such as high-grade government bonds and currencies such as the dollar and Yen rose. Credit spreads widened and the oil price dropped to USD70 per barrel (Brent) due to economic worries. Gold ended the month roughly flat.

US: Robust economic data; elevated inflation rate; potential shutdown

The Markit US Composite PMI declined modestly to 56.5 in November from 57.6 (Manufacturing 59.1 from 58.4 and Services 57.0 from 58.7), signalling continued strong growth, though at a slightly lower pace. Prices continued to rise briskly, as the October inflation rate rose to 6.2% YoY, amidst supply shortages and unfilled job vacancies. The October unemployment rate fell to 4.6%. Even as news of the COVID-19 omicron variant broke, Fed Chair Jerome Powell warned of a potential faster tapering of asset purchases to fight inflation rates, rattling investors. Meanwhile, US Congress has agreed on a temporary funding deal which postpones the threat of a government shutdown from December to February.

Europe: Solid PMI data; inflation is rising further; new German government

The Markit Eurozone Composite PMI rose to 55.8 in November, from October's six-month low of 54.2, signalling continuing strong growth (as in the US). There are clearer signs of supply constraints here too, and eurozone consumer price inflation accelerated to 4.9% YoY, the highest rate since July 1991. Core inflation climbed to 2.6%, the highest rate since 2002, increasing the pressure on the ECB, which nonetheless publicly remained doveish. In Germany the first federal traffic-light coalition government was formed under Olaf Scholz.

ROW: China's growth accelerates; Japan's economy recovers; Turkish lira collapse

China's industrial production rose 3.5% YoY in October and China's retail sales grew 4.9% YoY, expanding slightly stronger than before, but also reflecting curbs to control COVID-19 outbreaks and supply shortages. Japan's Composite PMI rose to 52.5 in November (from 50.7), indicating the strongest pace of growth since October 2018. The recovery is supported by easing COVID restrictions and surging vaccination rates. India's economy expanded by 8.4% YoY in Q3, the fourth straight quarter of expansion. The Turkish lira collapsed touching a historic low against the US-dollar. The sell-off came after Turkish President Erdogan defended his central bank's continued interest rate cuts even as inflation neared 20%. Geopolitical tensions between China and Taiwan intensified in November as Chinese air force planes again entered Taiwan's air defence identification zone.

Performance figures (as of 30/11/2021 in local currency)

Fixed Income	Yield	1M %	YTD %
US 10 Yr	1.45%	1.1%	-2.8%
UK 10 Yr	0.81%	1.9%	-3.8%
Swiss 10 Yr	-0.23%	1.8%	-2.0%
German 10 Yr	-0.35%	2.2%	-1.4%
Global IG (hdg \$)	1.83%	0.2%	-0.7%
Global HY (hdg \$)	5.38%	-1.4%	0.9%

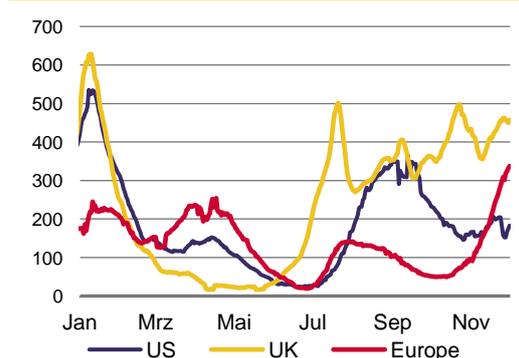
Equity Index	Level	1M %	YTD %
MSCI World (\$)	374	-2.4%	14.0%
S&P 500	4,567	-0.7%	23.2%
MSCI UK	12,306	-1.9%	14.1%
SMI	12,160	0.4%	16.9%
Eurostoxx 50	4,063	-4.3%	17.3%
DAX	15,100	-3.8%	10.1%
CAC	6,721	-1.5%	23.9%
Hang Seng	23,475	-7.4%	-11.6%
MSCI EM (\$)	597	-4.1%	-4.3%

Currencies (trade-weighted, nominal)			
US Dollar		1.6%	3.8%
Euro		-0.1%	-2.9%
Yen		1.9%	-6.3%
Pound Sterling		-1.0%	4.3%
Swiss Franc		1.4%	1.5%
Chinese Yuan		1.6%	8.4%

Commodities	Level	1M %	YTD %
Gold (\$/oz)	1,775	-0.5%	-6.5%
Brent (\$/bl)	70.57	-16.4%	36.2%
Copper (\$/t)	9,516	-3.0%	22.8%

Source: Bloomberg, Rothschild & Co

COVID-19 cases (per 100,000 inhabitants)



Source: Bloomberg, Rothschild & Co; 01/01/2021 - 30/11/2021



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