Market Monthly

November 2020

Highlights

- **Economics:** After releasing economic data in October that shows expected recovery, market participants gladly accepted Joe Biden victory in the USA presidential race, starting to increase values of the indices in beginning of the November. Bull-run became steeper after encouraging final testing results of corona vaccine in the middle of the month. Despite having highest contagious rate in USA and pause in negotiating second stimulus package and relatively high unemployment rate of 6.9%, S&P added +10% in November, which is best month performance since 1987. Given the composition of European indices and higher presence of banks/energy stocks, V shaped recovery was even more present, especially if we include currency gains. Situation in major European countries with corona virus is now under control, but there are some obstacles in implementation of previously approved economy stimulus measures. Unemployment rate in Eurozone is now higher than in USA, 8.4%. Relaxation of trade war rhetoric is expected after Biden election, combined with highest PMI readings in last decade and absence of corona cases will help China to maintain highest growth amongst major economies of the world.
- **Inflation:** Prices in USA continued to post minor increase, 0.2% higher inflation in October totaling 1.2% Y-o-Y, still below target of 2%. Latest figures from Europe indicate deflation YTD of -0.3%. Other 1Y CPI values for October were: Russia 4.0%; China 0.6%, Brazil 3.9%, India 7.6%
- **Central bank interest rates:** No significant movements this month, FED continued to request more stimulus measures and stayed with 0-0.25% corridor of interest rate. Other monetary authorities, like ECB and People's Bank of China kept rates at -0.25% and 3.85% respectively.
- **Capital market rates:** Democrats candidate won US election race, maintaining 10Y treasuries yields on level close to 1%, while 10Y Bunds were more inert, adding just 10bps to yield with final value of -0.53%

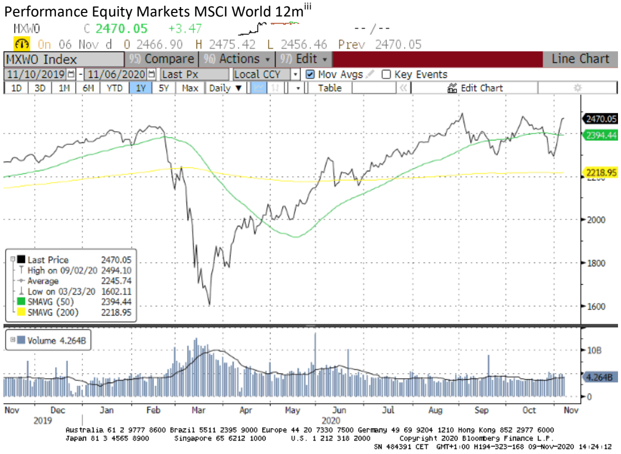
Tactical Asset Allocation

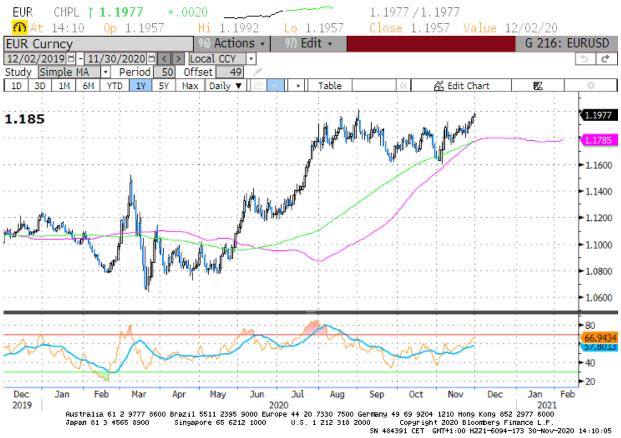
- **Forex:** Implications of election race and equity market bull-run was more than recognizable on eur/usd chart, after starting 1.16 value, pair ended month close to 1.20 spot, with possibility to breach this level and trade thus making dollar weakest comparing to euro in last 2 years.
- **Bonds incl. High Yields (U[i]):** Since near-zero/negative policy rates and negative real rates are seen persisting in Europe for several years, we continue investing in up to 2028 maturities of European DM bonds to improve yield and look for USD bonds with shorter maturities.
- **Equities (N):** As mentioned, development of vaccine fueled growth of markets, especially in aggressive segments. Usually, December is least volatile month and given the fact that most of the important events for this year are behind us, we recommend selective taking profit from recent leap in performance of stocks from energy sector and cautiously increasing exposure to companies related to travel and leisure.
- **Commodities (N):** A long expected positive news from demand side helped oil to gain almost 20% of value in November and trading at $45/barrel in the end of the month, highest since March. However, lot of optimism is based on moderate increase of supply in following period. OPEC decision of gradually returning to previous production is postponed to December.

Investment Ideas[ii]

- We continued to write call options on stocks from overperforming sectors, and invest excess of cash to buy stocks from IT/real estate sectors.

Performance Equity Markets MSCI World 12m[iii]





EURUSD Technical Chart 5y, Bloomberg

[i] How to read: (U) underweight; (N) neutral; (O) overweight
[ii] See rationales on our web page www.aspermontcapital.ch
[iii] Return for the last rolling 12m

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