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## Market Insights

### No. 201 - November 23, 2020

## Essentials

On Monday, stock market indexes in South Korea, Taiwan and India all reached new record highs. And only its 1991 high stood between Japan's Topix index and that same feat. These solid performances are another sign that Asia's economies are returning to normal after turning the corner on the pandemic.

Poland and Hungary vetoed the European Union's recovery package because they object to linking access to EU funds with countries' respect for the rule of law. The financial markets don't seem too concerned that the talks could drag on, given that the euro and peripheral interest rates are holding up well.

The new record highs recorded on the US stock market recently were accompanied by a sharp drop in volatility. Sentiment indicators suggest that investors are becoming euphoric. These are all signs that the stock markets could soon take a breather. However, as we head into the last month of a turbulent year, the holiday season and the inevitable Christmas shopping could give equities renewed momentum.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	↓	→	↗	→	↑	↘	↑	↑	↘	↑	↗
% YTD	-5.7%	-0.5%	-5.6%	-1.1%	-7.4%	10.1%	0.4%	8.5%	23.3%	-31.9%	3.6%

↓ : < -1%

↘ : -1 to -0.25%

→ : -0.25 to +0.25%

↗ : +0.25 to 1%

↑ : > 1%

\*Weekly trend

## We can see the light at the end of the tunnel



**Daniel Varela**  
Chief Investment Officer

COVID-19 continues to surge across the globe. The USA – the world's worst hit country – is once again the hotbed of the pandemic, with close to 200,000 new cases each day. Unfortunately, this trend looks set to last and may even get worse with Thanksgiving just around the corner. This celebration marks the start of the holiday season and is a time when people are more likely to come into contact as families get together and shoppers descend on stores. But human ingenuity has brought fresh hope – several sufficiently effective vaccines have been developed in record time, so the pandemic could be brought under control in the coming months. Not a week goes by without some good news on that front. The latest comes from the UK and the

announcement about the efficacy of the vaccine developed by AstraZeneca and Oxford University. Pfizer and Moderna have already made similar announcements, and emergency approval is being sought for all three vaccines. That means that large-scale immunisation campaigns could soon be rolled out – in the USA, this could well happen by mid-December. The economy could then gradually start returning to normal in 2021 – investors have really been banking on that in recent weeks. Stock markets are once again trending upwards, and sectors and themes most dependent on the global business cycle are outperforming. Cyclical sectors, for instance, are faring better than defensive sectors and growth stocks such as techs, and small and mid caps are beating blue

chips. In terms of regions, the markets that will be boosted most by the vaccine rollout – i.e. Europe and emerging markets – have been sharply outperforming other markets. Lower-quality bonds have also been doing better than sovereigns, and industrial metals, which are very dependent on the health of the global economy, are making up for lost ground. Finally, more exotic currencies, like emerging currencies, have been appreciating, especially against the US dollar. These trends suggest that investors are finally starting to turn the page on 2020 – a disastrous year in terms of both public health and the economy. Instead they are looking more calmly ahead to 2021, which could well be a vintage year for the stock markets.

# Alternative funds – reaping the benefits of recent volatility



Léonard Dorsaz  
Investment analyst & manager

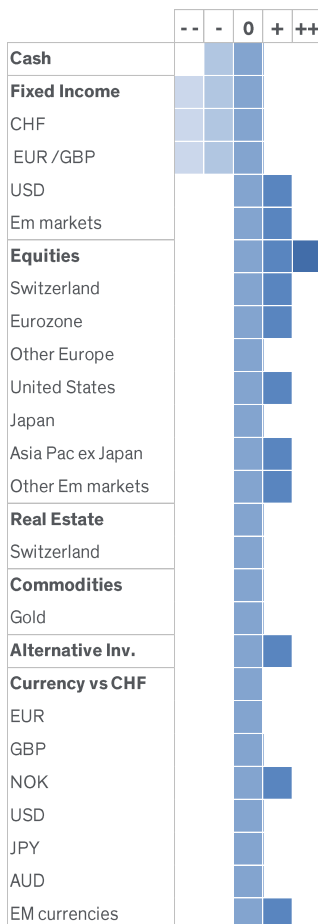
Alternative funds have maintained their strong momentum since the spring, with solid returns across the board. Our optimism in April paid off, as our preferred strategies fared well in that climate. Our conviction was confirmed in September and October. As the stock markets headed downwards and there was a rotation out of growth stocks and into value stocks,

alternative funds reaped the benefits of this renewed volatility and delivered returns over the period.

Among our preferred strategies, directional funds have posted the best YTD performances and have done especially well recently. Fund managers did a good job managing risk in March and then increased leveraging. In the autumn, these strategies were driven up by broad market dispersion

and corporate earnings surprises. Arbitrage strategies have also continued on their uptrend, buoyed by the rise in volatility. Convertible bond arbitrage strategies, in particular, have been able to tap into tactical opportunities when the stock markets were under pressure. They've also seen a large number of new issues, and coupons are attractive.

## Synoptic view



Underweight Overweight

## Recent Recommendations

Pfizer Inc	Buy	November 23, 2020
Adidas AG	Buy	November 13, 2020
China Mobile	Buy	November 6, 2020
Sanofi	Buy	November 5, 2020
Royal Dutch Shell Plc	Buy	November 4, 2020
Lafargeholcim Ltd	Buy	October 30, 2020

## Our “expertise” events

Piguet Galland organises regular events for its clients. Please do not hesitate to register on our website: <https://www.piguetgalland.ch/fr/agenda/>

Do not hesitate to contact your adviser or write to us at the following e-mail address : [advisory@piguetgalland.ch](mailto:advisory@piguetgalland.ch)