



Piguet Galland & you.

Market Insights

No. 202 - November 30, 2020

Essentials

In November, additional COVID-19 restrictions were brought in across most of Europe, causing economic newsflow to deteriorate. Markets weren't rattled by this, however, and have instead remained focused on the recent drop in infection rates and the prospect of an effective vaccine.

China's PMIs recorded a further uptick in growth in November, thanks to a better-than-expected improvement in both the services sector and manufacturing. Industrial output strengthened for the ninth month in a row, buoyed by new orders, while the services sector recorded a sharp rise, reaching 55.7 – its highest level since June 2012.

Gold prices continue to correct and have now dropped below USD 1,800 per ounce. This means that investors have finally become bearish on this metal. We are keeping an eye on technical levels, with a view to potentially increasing our exposure to gold once again.

	USD / CHF	EUR / CHF	GBP / CHF	EQUITIES SWITZERLAND	EQUITIES EUROPE	EQUITIES USA	EQUITIES JAPAN	EQUITIES EMERGING	GOLD	OIL	ALTERNATIVE FUNDS
*Trend	↓	→	↘	→	↑	↑	↑	↑	↓	↑	↗
% YTD	-6.2%	-0.3%	-6.0%	-1.1%	-5.8%	12.6%	3.8%	10.4%	17.8%	-27.0%	4.2%

↓ : < -1%

↘ : -1 to -0.25%

→ : -0.25 to +0.25%

↗ : +0.25 to 1%

↑ : > 1%

*Weekly trend

Yellen-Powell – the perfect couple?



Daniel Varela
Chief Investment Officer

Janet Yellen is set to become the USA's first female treasury secretary. In 2018, she was unceremoniously denied a second term as Fed chair by Donald Trump, who wanted to sever all ties to the Obama years. But with this key role within President-elect Joe Biden's administration, she's now making a big comeback after a short retirement. The US purse strings will be in experienced hands. Ms Yellen was chair of the San Francisco Fed from 2004 to 2010 and was Ben Bernanke's right-hand woman in the wake of the subprime crisis, becoming chair herself in 2014. Her expertise is widely recognized, as is her in-depth knowledge of the US labour market. Her excellent understanding of monetary policy and the banking system will be a major asset as well. It's also the first time in US history that a former Fed chair has taken control of fiscal policy.

This is especially important given that the stimulus packages adopted around the world since the start of the public health crisis have sought to combine monetary and fiscal measures. The Fed's current chair, Jerome Powell, has also earned plaudits for his work since the start of the pandemic. He quickly brought interest rates back to zero and injected more liquidity into the financial system by using the asset purchase programmes from the previous crisis. He also introduced some innovative measures, such as enabling the Fed to lend directly to companies. But his relations with the current administration have always been fraught, and the constant pressure and criticism from President Trump raised fears that the Fed would lose its independence. If Mr Powell keeps his job for a second term – which seems likely – he will certainly be able to count on easier relations with the executive and an effective relationship

with the new treasury secretary. Hopes are high that the soon-to-be-available vaccines will bring the COVID-19 pandemic under control and that life will return to normal in the months and years to come. But there are enormous economic and financial challenges ahead and bringing someone as experienced as Janet Yellen into what will be a more predictable US administration will definitely reassure both US and international investors.

2021: still some earnings surprises in store in the US



Daniel Steck
Investment analyst & manager

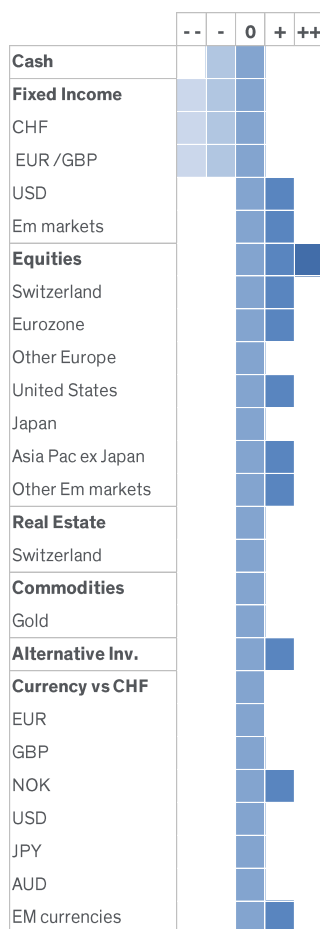
Since early summer, economic indicators and other data have consistently exceeded economists' expectations. Government aid and monetary stimulus from the Fed helped to prevent a wave of bankruptcies and a spike in unemployment, which would have cost much more than the amounts set aside so far to safeguard the economy. This trend has been reflected in corporate earnings figures, which over the past two quarters have been surprisingly good

compared with analysts' forecasts – to an extent never seen before. 2020 earnings forecasts were revised sharply upwards as a result. But despite these encouraging data, expectations for 2021 are still strangely timid. Since the worst of the crisis, they've been revised up by just 3%. What's even more surprising is that news of several effective COVID-19 vaccines soon being available hasn't changed things, even though it would speed up the recovery in devastated sectors such as leisure, the

restaurant industry and tourism. Next year's earnings forecasts still haven't been revised.

We therefore remain convinced that 2021 will have some major positive surprises in store. And the rebound in earnings could end up being even more impressive than the current forecast of 38%. The corollary is that US equities are not as richly valued as they seem and that valuation shouldn't hold equities back next year.

Synoptic view



Underweight Overweight

Recent Recommendations

Japan Airlines Co Ltd	Buy	November 27, 2020
Honeywell	Sell	November 27, 2020
Accor SA	Buy	November 23, 2020
Pfizer Inc	Buy	November 23, 2020
Adidas AG	Buy	November 13, 2020
China Mobile	Buy	November 6, 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