SGMC CAPITAL

November Monthly Review

A summary of key events and market trends during the month of November followed by your dedicated portfolio performance analysis.

November Monthly Review

- November saw a strong performance for the equity markets with some indices seeing their best November on record

- Every Monday since the election has seen positive news about a COVID vaccine

- This has led to a re-rating across sectors; however, long-term winners will continue to be companies that deliver superior growth at healthy margins

A vaccine …

New cures are being found and the last few Mondays have seen a succession of positive headlines about increasing efficacy and safety. The speed and success of the roll-out of the vaccination program will now drive economies and markets

Key markets

Index	Month to Date (%)	Year to Date (%)
Nikkei 225	15.04	13.77
Hang Seng China Enterprises	8.06	-1.84
Dax	15.01	0.32
Euro Stoxx 50	18.09	-4.30
S&P 500	10.95	14.01
Dow Jones	12.14	6.11
Nasdaq 100	11.10	41.64
US 10 Year Treasury	0.04 pts	-1.08
EUR USD	2.40	6.63
USD JPY	-0.33	-3.88
Gold	-5.42	17.81

Key Trends

Apart from the US election results, the story for November has been about vaccines, with every Monday since the election producing a related headline which has had a meaningful impact on asset prices. The initial news from Pfizer / BioNTech on the 9th of November produced an initial and rapid switch out of the leading sectors of the markets ("Stay-at-Home" / broader Tech) into the laggards (Airlines, Hospitality, Energy, Financials). Subsequent releases of vaccine related news has had successively less of an impact on the broader market though, it continues to have a larger impact on smaller segments and more directly on the companies involved (Moderna closed up 20 % during regular trading hours last night and a further 7 % in after-market trading).

The focus now is on delivery times and the incremental cure that could be produced faster, cheaper and with the least logistical challenges as possible. This continues to be an important element for global public-health and we are now focused on what could be a likely timeline where the term "COVID" is used to describe the past.

And as we hopefully put the virus behind us what will need closer investigation is who are the medium- to long-term winners as a result of this shock to the collective system. For example, we are all now more comfortable with video-conferencing and working remotely. And we have gotten used to the ease of signing documents electronically. Companies that cater to the "new normal" are likely to see significant future growth potential and, needless to say, these are likely to be technology companies or companies that are smartly using technology to evolve.

The unconventional and protracted impasse from the "non-concession" of the US election appears to be coming to an end with the handover to President Elect Biden starting towards the end of November. We are likely to see lower "headline" volatility during the Biden Presidency compared to that of his predecessor and this is likely supportive of asset prices. The Volatility Index (VIX) is at levels not seen since the risk sell-off earlier in the year and only a shade higher than 20; a reading below 20 indicates a low volatility environment and on-balance, signifies greater appetite to add risk positions. We continue to expect volatility to inch lower over the coming months.

Deal-making continues apace with the recent S&P Global / IHS Markit deal announced with a price tag of almost $ 40 billion. IPO activity continues apace too and while the calendar winds down for this year it will likely come back to life quickly in the new year. In this environment we keep an eye out for stretched valuations and attempt to steer clear.

Global Central Bank liquidity support continues to be ample however and helps put a strong bid to asset prices; we continue to watch for any changes to the outlook for liquidity as that has a direct bearing on risk markets.

The Senate election for the State of Georgia is scheduled to be held on the 5th of January and the outcome there will dictate control of the US Senate; an important prize and hence will likely be keenly contested.

Former Fed Chair, Janet Yellen, being nominated as Treasury Secretary is likely supportive for the economy and markets; Ms Yellen knows the system and likewise, is a known entity. We would expect her confirmation to be a non-event.

In the FX markets the US$ continues to weaken; some short-term strength versus precious metals has emerged and we expect this to be transient.

From the side lines, we continue to watch the evolution of the price and story of Bitcoin and continue to seek a method to value this crypto-asset / crypto-currency.

An environment of strong liquidity support, reduced volatility and political noise is likely to provide support to asset prices and we continue to expect the equity markets to be well bid. We keep an eye out for egregious overvaluation and attempt to steer clear there. We continue to expect the US Dollar to remain under pressure; having sold off significantly this year the pace of depreciation could slow in the short term.