November Monthly Review

A summary of key events and market trends during the month of November.

SGMC CAPITAL

Monthly Review

- Equity markets, which held well for most of November, gave up the gains and turned negative on the back of further COVID mutations and a hawkish Federal Reserve
- The equity rally continues to narrow in breadth with the bulk of the flows gravitating towards a small group of names
- The omicron variant has dominated the headlines over the last week though not much is known about this particular strain – countries have reacted to the news nonetheless and are starting to restrict travel again
- Fed Chair, Jerome Powell, was re-appointed for a fresh term and markets will like the continuity. Less so him nonchalantly retiring the focus on the transitory nature of inflation.
- Having said that monetary policy is still accommodative and will likely drive asset prices for the near future
- The Volatility Index (VIX) closed the month around 27 in response to the news on the virus and likely quicker Fed taper. We expect this to settle back down below 20 in the coming weeks

Inflation back in focus …

Powell says references to the term "transitory" with respect to inflation are no longer warranted

SG MC

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	-3.64	6.85
Hang Seng China Enterprises	-6.62	-22.07
Dax	-3.75	10.07
Euro Stoxx 50	-4.41	14.37
S&P 500	-0.83	21.59
Dow Jones	-3.73	12.67
Nasdaq 100	1.80	25.20
US 10 Year Treasury	- 0.11 pts	0.53 pts
Bloomberg Barclays Global Aggregate Index	-0.19	-4.48
EUR USD	-1.90	-7.19
USD JPY	-0.68	9.61
Gold	-0.50	-6.52

Recap of the month …

Federal Reserve Chair, Jerome Powell, in testimony to the US Senate mentioned that previous references to inflation being "transitory" were no longer warranted and that a quicker pace of tapering of balance sheet purchases could be considered. Along the way most commodity prices have rolled over, indicating the future year-over-year increases could be muted. Supply-chain bottle necks also continue to be resolved. We do not view the likely quicker pace of tightening policy to be a major concern for now as with rates at the lower bound policy is still accommodative.

The mutations of the coronavirus continue to feed a sense of caution, more so when information is still not widely available and hard to process with regards to the severity of said strains. Having said that various countries have chosen to follow a cautious approach and are restricting travel for the moment. We will get to know relatively soon whether the omicron variant is likely to derail attempts at opening economies; for now, the evidence suggests it shows rapid spread but doesn't appear to be as, or any more lethal, than previous strains.

The year has seen funds flow to the comfort of known names and that leaves several areas of opportunity available in certain stocks, sectors and markets with a longer-term view to their growth potential.

China continues its under-performance for the year with the Hang Seng China Enterprises Index down some 22 %. While side-stepping the troubled real estate and associated sectors, there is good value to be had in many of the strong technology names.

The US Dollar continues to gyrate with comments from the Federal Reserve and with most other central banks reluctant to lead the way on rates and policy normalization we would expect declines in the dollar to be well bid.

Volatility has spiked with news about the coronavirus hitting the headlines at a time of thin liquidity over the Thanksgiving weekend. As policy is still highly accommodative we would expect a bid for risk assets to come back to the markets and support prices and hence quelling a further rise in the Volatility Index (VIX).

All information in this report has been obtained from Bloomberg sources except where indicated otherwise. All data in this report is as of the last international business day except where indicated otherwise.

This report may contain forward looking statements which are often but not always identified by the use of words such as “anticipate”, “believe”, “estimate”, “intend”, “plan”, “expect”, “forecast”, “predict” and “project” and statements that an event or result “may”, “will”, “can”, “should”, “could” or “might” occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. SGMC Capital expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

This report is for information and illustrative purposes only; it is in no way a recommendation, or an offer or solicitation to buy or sell any investment products, but only factual information being provided. SGMC Capital will not be held liable for any information provided in this document which is stated to have been obtained from third party sources, this information may be based on assumptions or market conditions and may change without notice.

The information in this report was prepared by SGMC Capital and is current as of the date of the report. The information contained herein has been obtained from sources that SGMC Capital believes to be reliable, but SGMC Capital does not guarantee its accuracy, adequacy, completeness, reliability, or timeliness, and will not be held liable for any investment decisions made based on this information. Moreover, SGMC Capital is not responsible for any errors or omissions or for the results obtained from the use of such information. All information and estimates included in this report are subject to change without notice. This report is intended for qualified customers of SGMC Capital.

Past performance does not guarantee future results. Investment products are subject to investment risks, including possible loss of principal amount invested.

You may not redistribute this report without explicit permission from SGMC Capital.