



NOVEMBER 2020 REVIEW 30TH NOVEMBER 2020

News of three vaccines all showing good efficacy against the COVID virus sparked an impressive market rally in November.

The announcements came on three successive Mondays from first Pfizer/BioNTech, then Moderna and finally AstraZeneca/Oxford and the market relief was palpable. Two of this year's worse performing equity markets: Europe ex UK and the UK rose 13.4% and 12.7%, while US equities continued their strong 2020 rally with a further 7.4% gain.

The vaccine news most benefitted sectors that had struggled in 2020. For example, UK energy stocks and banks jumped 31.6% and 23.3% respectively. Global value stocks returned 15.1%, outperforming growth, which returned 10.9%.

Already the MHRA, Britain's medicines regulator has approved the Pfizer/BioNTech vaccine as safe to be rolled out, and health and care workers are expected to be among the first to receive a jab. US and European medicine regulators will decide on the vaccines in the coming weeks.

This positive vaccine news, along with further progress in the difficult Brexit negotiations, boosted not only UK equities, but also sterling. The pound

rose 3.1% against the 2.5% against the Japanese Yen, although sterling still looks undervalued relative to a \$1.50 level implied by interest rate parity models.

The COVID vaccines somewhat overshadowed the 2020 United States presidential election which was held on November 3. The outcome – a Joe Biden victory but not the 'blue wave' (victory in Congress, Senate and the Presidency) – was viewed positively by financial markets.

The unprecedented number of mail-ins has resulted in legal challenges from the Trump campaign, and to date, the current President has not publicly accepted the results, but it is expected that the Democrat will be inaugurated in Washington on 20 January.

Bond markets also reflected the risk-on tone; government assets sold off and riskier credits and emerging market debt rallied. The losses among safe haven bonds were muted (gilt indices fell 0.45%) and bond buying programmes taking place around the world look set to support these markets, for the time being at least.

Such was the rally in corporate bonds that the spread between the credit and government debt is now approaching post-GFC lows. The notable loser in the month was gold – down nearly 10%.

IMPORTANT INFORMATION

As with any investment, your capital is at risk. The value of an investment, and any income from it, can fall as well as rise. Investors may not get back the full amount they invest. Past performance is not a reliable indicator of future results. Personal opinions may change and should not be seen as advice or a recommendation. We recommend investors seek professional advice before deciding to invest.

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