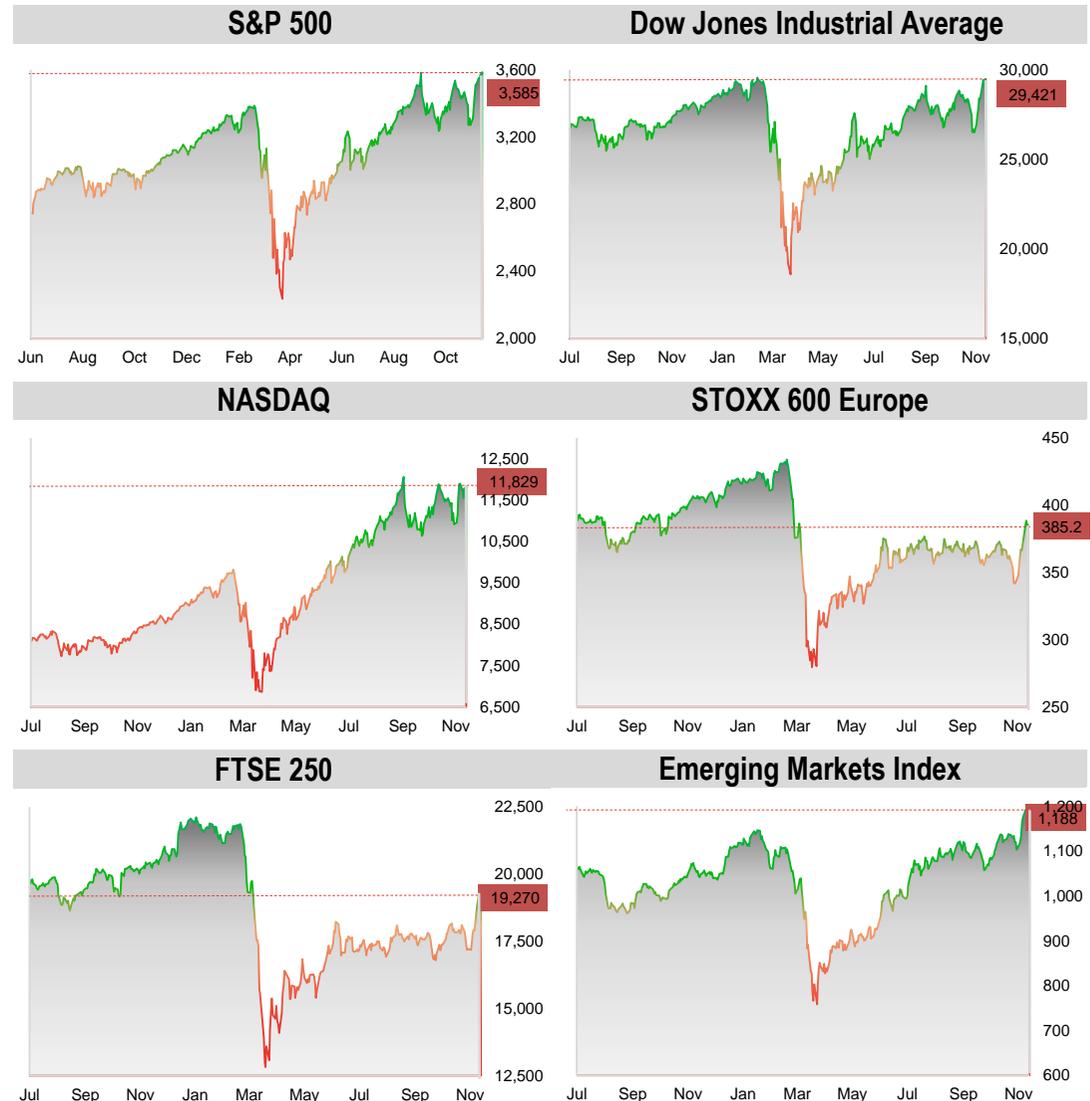


Global Market Watch

Global markets
Periodic
November 17, 2020

What's moving markets

- The COVID-19 vaccine news from Pfizer and BioNTech fuelled global equity markets in the first week of November. The vaccine was found to be 90% effective based on the phase 3 trials (the final stage before commercial licensing). Notably, the director of the National Institute of Allergy and Infectious Diseases - Anthony Fauci – has said that 50%-60% effectiveness of the virus would be acceptable. Yesterday more positive news came from Moderna, confirming that its vaccine was 94.5% effective in a preliminary analysis of a large late-stage clinical trial. Stocks tied to economic reopening were further lifted by the news.
- In US, the counting of the election results stretched into days due to narrow election results in number of states. Later, on 7th of November, Joe Biden was declared to be the winner of the US presidency. This, along with the vaccine news, triggered the best election week performance of equity markets in nearly 90 years of US history. Notably, the elections left the US Congress divided, making Joe Biden first Democrat President since 1884 who will start presidency without a Democrat-controlled Senate. The divided Congress will limit Democrat's power to raise taxes, while Republicans will control the size of the stimulus package.
- Notably, the vaccine news caused global market rotation, hitting COVID winners, as investors moved from tech companies to more cyclical stocks. Zoom Video communications and Netflix were among the top losers in the November rally, as investors sold out companies that were top performers due to pandemic.
- The vaccine news increased hopes that normal would be back soon, helping the “re-open” stocks. Airlines, hotels and airplane makers, the sectors which suffered most severely due to the pandemic, were among the top improvers in the first half of November. Energy stocks (helped by rebound in oil prices) and banks (bank stocks up 20% following vaccine news) led the S&P 500 rally.
- COVID cases continued to rise globally, with US hitting 11mn COVID cases, one week after confirming its 10mn cases. California recorded the fastest rate of increase in the number of daily reported infections since the start of the pandemic, becoming the second US state after Texas to hit 1mn cases. Elsewhere in Europe, Austria and Greece were added to the list of European countries with tight restrictions.
- Overall, US equities finished the first half of November in green, with S&P 500 up 9.6% hitting record high level of 3,585 by 13 November, tech-heavy NASDAQ composite also increased up 8.4% over a two-week period. In Europe, STOXX 600 and FTSE 250 posted strong 12.5% and 11.9% growths over the same period.



Source: Bloomberg
Note: Data as of 13 November 2020

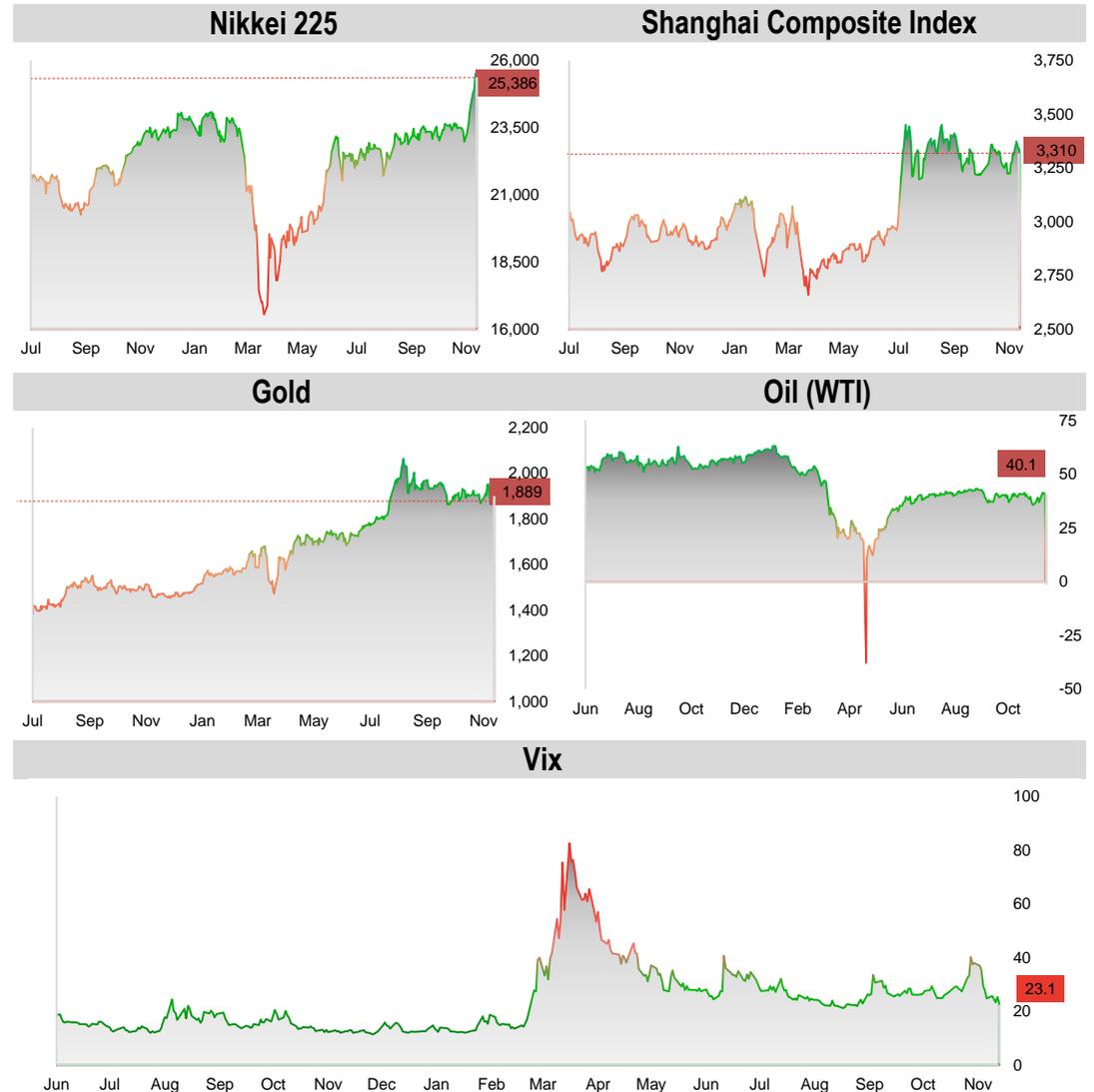
- Chinese stocks were lifted by the news of Joe Biden's presidency, anticipating less controversial trade policy from the US. On Monday after the election weekend in US, China's Shanghai Composite Index closed up 4.6% w/w. Later during the week, the risk sentiment on Chinese stocks deteriorated as the incumbent president, Donald Trump, banned Americans from investing in Chinese companies that support China's military. Shanghai Composite finished the week 1.9% lower from Monday's highs.
- Japanese stocks have become top performers in the post-Biden market rally. Japan's Nikkei 225 index was up 8.8% in the first two weeks of November, hitting almost 30-year highs. The rotation of investors from "growth" stocks to more cyclical fundamental stocks, put Japan with its large consumer staples and industrial companies in a strong position.

Commodities

- With growing hopes of economy re-opening on vaccine news from Pfizer, the price of oil strengthened in the first two weeks of November. After hitting nearly 5-month low on October 28, WTI oil price rebounded, trading above US\$ 41/barrel in the second week of November before going down again by end of the week on news of the increased stockpiles in the US. Contrary to the Bloomberg analysts' estimation of decline in US stockpiles, the EIA reported a surprise 4.28mn barrels increase in America's crude inventories.
- With improved market sentiments on the risky assets, demand on the safe-haven assets such as gold declined in the first two weeks of November. On Monday, after the election weekend in US, Gold price stumbled, down 4.5% to US\$ 1,853/ounce, but later in the week as the market 'euphoria' passed, Gold price rebounded, finishing the week at US\$ 1,889/ounce.

Volatility

- After the turbulence in the markets associated with the US elections, Cboe Volatility Index, VIX, the gauge of fear in S&P market, reverted back to normal levels in the two weeks of November. After hitting 40.3 by 28 October, the VIX went down to 23.1 by 13 November.



Source: Bloomberg
Note: Data as of 13 November 2020

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Head of Research

Eva Bochorishvili | evabochorishvili@gt.ge

Senior Analyst

Ana Nachkebia | ananachkebia@gt.ge

Address: 79 D. Aghmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge