LOM OFFSHORE FINANCIAL SERVICES

Monthly Global Market Commentary
November 9, 2020

Certainty – 11/09/2020
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Markets posted large gains in the first week of November as the US election kept the world riveted to the television screen. The S&P 500 gained 7.36% while the MSCI World Index gained 7.75%. The Russell 2000 gained 6.89%.

US Election

The press announced former Vice-President Joe Biden became the presumed 46th President of the United States after mail in ballots helped him secure a lead in Nevada, Pennsylvania and (by a very tight margin) Georgia. The House of Representatives continues to be held by the Democrats, although they lost seats. Republicans lost at least one seat in the Senate. Georgia will have a runoff election for the Senate seats in January as no conclusive winner was elected last Tuesday. If the Democrats win both seats, the Senate would be split 50/50 with Vice President Kamala Harris acting as the tie breaker. However, that scenario appears unlikely at this time.

President Trump has not conceded the election yet. Claiming voter fraud, he is filing lawsuits in several states. So far, the lower courts have rejected the lawsuits as meritless. Regardless, Georgia will have a recount because the margins are so tight and they want to ensure an accurate outcome.

Markets have taken the mixed win as a positive sign. A Biden win represents a lower risk of a trade war with China and Europe. A de-escalation of tariffs would be a boon to global trade and profits. The split Congress means Democrats will have a significantly harder time passing progressive legislation. Perhaps more importantly, it will be significantly harder for President-elect Biden to unwind the Trump tax cuts.

COVID-19 Vaccine

The Pfizer and BioNTech SE announced preliminary results from their Phase 3 vaccine testing. The shot prevented more than 90% of symptomatic infections in the trial. Scientists were hoping for a vaccine that was at least 75% effective with a 50-60% success rate being acceptable. Dr. Fauci, the top infectious disease expert in the US, said the vaccine will have a "major impact" on how the government addresses the coronavirus going forwards.

In early Monday trading, Europe rose 6.36% on the news, as much of the continent is looking at another lockdown due to rising COVID-19 cases. The Russell 2000 had to suspend premarket trading after hitting the upper limit of 7%. It is currently trading up 5.41%.

Conclusion

The recent price movements are likely due to the removal of policy uncertainty. While these are real structural changes to the investment landscape, they may be best viewed as one off benefits. At the end of the day, an investment is worth the present value of its future dividends. With uncertainty melting away, we can take solace in the solid bump we have experienced so far this month.

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Stock Market Performance

	11/9/20	W-o-W	M-o-M	Y-o-Y
DJIA	29,689	10.3%	3.9%	7.3%
S&P 500	3,618	9.3%	4.1%	17.0%
MSCI World	2,470	6.4%	0.9%	8.9%
S&P/TSX	16,588	5.7%	0.2%	-1.7%
BSX	1,896	0.3%	3.5%	-15.5%
FTSE100	6,186	9.4%	2.8%	-15.9%
DAX	13,096	11.1%	0.3%	-1.0%
CAC	5,336	13.8%	7.9%	-9.4%
Nikkei	24,840	6.6%	5.2%	6.2%
Hang Seng	26,016	6.4%	7.9%	-5.9%
Shanghai	3,374	4.6%	3.1%	13.8%

Key Rates and Prices

Currencies	11/9/20	Month ago	Year ago
EUR	$1.18	$1.18	$1.10
GBP	$1.31	$1.30	$1.28
JPY	¥105.49	¥105.62	¥109.26
CAD	$0.77	$0.76	$0.76
CHF	$1.10	$1.10	$1.00
AUD	$0.73	$0.72	$0.69

Fixed Income

3M LIBOR	0.21	0.22	1.90
3M Treasury Bill	0.09	0.10	1.55
2Yr Treasury Note	0.18	0.16	1.68
10Yr Treasury Note	0.96	0.78	1.94
Fed Funds Rate	0.25	0.25	1.75

Commodities

Gold/oz.	1,861.63	1,930.40	1,459.00
Silver/oz.	23.86	25.15	16.81
Copper/lb.	3.15	3.07	2.69
Oil	40.45	40.60	57.24

Global Economic Calendar (November 9th - November 13th)

Mon:
Tues: Redbook (US); JOLTS (US); NFIB Small Business Optimism Index (US)
Wed: MBA Mortgage Applications (US)
Thurs: Jobless Claims (US); Money Supply (US); Fed Balance Sheet (US); EIA Petroleum Status Report (US);
Fri: Bakers Hughes Rig Count (US); Consumer Sentiment (US); EIA Natural Gas Report (US)