



Now is the winter of our discontent

It is pretty rare to have a double boost for markets over just a couple of days which removes two large uncertainties and propels markets significantly higher. The two headwinds I am talking about are the US presidential election and a winner (Pfizer) in the proverbial race to find a COVID-19 vaccine. Is it a coincidence that one was announced just after the other? I will let the conspiracist within all of us ponder that one for the remainder of the year.

As I write this the European markets are up some 6% with the US markets following suit. As is the way with 2020, the headline number betrays the subtext of the rally which speaks to a rampant acceleration in those COVID stocks which have been hammered this year.

Just today alone, the likes of AIG up 35%, Carnival Cruises up over 40%, Expedia up over 22% - to name a very select few. This has largely, surprise surprise, been at the expense of mega cap tech which has taken a breather with the NASDAQ remaining largely flat during the day's festivities (+0.05%). The "stay at home" stocks like Peloton, Netflix, Zoom and Amazon all took a pounding at the open as investors priced in a return to normality.

With the open turning green immediately it was clear the Biden win over the weekend had gotten investors feeling quite chipper about Q4 and 2021 in general. This positivity came on strong despite the likelihood that the "blue wave" of a Democratic clean sweep in the White House, senate and congress which drove the market higher a few weeks ago looked to be all but dead. It would appear the Senate will likely remain a Republican stronghold but that won't be decided until January.

With much of the market hailing today as a rotation towards value stocks it was clear the rally was more focussed on a basket of high quality companies. Companies whose business models had been caught in the maelstrom of a global pandemic and were simply starting their inevitable repricing back towards some semblance of a long term average. Today's moves were less about investors piling into anything with a cheap share price.

Anyone who's putting their feet up on the vaccine news and calling an end to the year... have you been watching "The Donald" for the last four years?!? There is no mind that the run up to the December 25th is likely to be jam packed with market moving mayhem as the outgoing president tries to leave an indelible mark on US politics. He has literally just fired his Defence secretary as I write this article. I have even read articles about the army being called on to remove Trump from the White House should he choose not to leave (that will never happen but it's surreal to even read it).

In respect to the vaccine, markets have well and truly bought the rumour today and will likely sell the fact over the remainder of the year. Realistically, any vaccine made globally available will see nations encountering herculean challenges in rolling it out to the electorate in any meaningful quantity by this time next year, let alone in time for Christmas. This will come against the backdrop of a second wave of COVID this winter which the New York mayor announced today, could be just around the corner. This was enough to start taking the shine off the rally today as investors factored in the hurdles facing the global market before we all get inoculated.

Whilst this is admittedly an attempt to douse the flames of a market getting very carried away, I do believe this double announcement has set the scene for a buoyant market in 2021.

Biden's new policies will breathe new life into American infrastructure whilst a reengagement of a US who takes climate change seriously will prove a huge boost to the already accelerating ESG sector.

Biden's softer approach towards China will keep Asian markets strong and with the FED keeping interest rates glued to the floor and QE at max power the market backdrop for 2021 will remain very supportive of equities, not to mention the prospects for the value end of the market which now stands at a valuation dispersion to growth stocks which hasn't been seen for over 200 years.

Furthermore, with a vaccine on its way into the public domain, expect to see some weakness from the dollar in 2021 as the market moves away from holding the green back as an insurance policy for the world descending back into darkness. This will boost the likes of emerging markets, gold, silver, European equities as well as high yield and corporate debt.

Whilst we are all sick of Brexit it appears highly likely that some sort of skeleton deal could be agreed by the end of the year and with a COVID vaccine from Oxford University likely around the corner one could expect to see some strength come back into the UK domestic market.

So what am I saying? Yes the news of a vaccine is a welcome relief to the yearlong headlines of death statistics, absent ventilators, inept politicians and missing hospital beds. Yes, Biden winning the White House has, to my mind, reinstalled US mainline politics back to centre stage and all of this will come to the aid of a prosperous 2021 but we still have a stalling economy, record breaking unemployment and a winter without a vaccine to get through.

So, to finish off - Will Shakespeare's famous line in Richard III – 'Now is the winter of our discontent, made glorious summer by this son of York'.

It's actually a speech which is full of positivity about the ending of a depressing environment and the positivity and enthusiasm which can often take its place. I will let you decide if that means Trump or COVID.

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