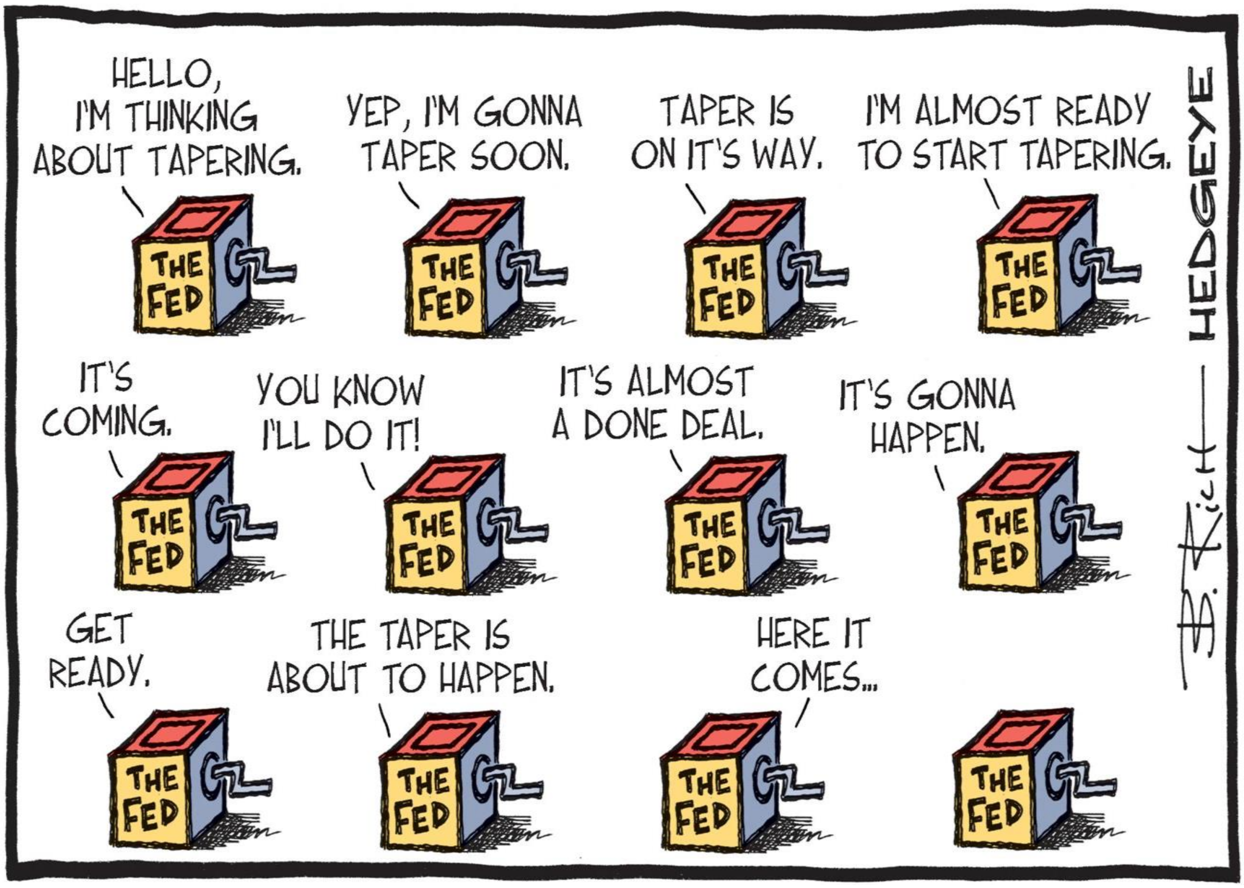
## Market Review November 2021




There are only two months left for risky assets to end another year on highs. After excellent stock market performances in 2019 and 2020, most equity indices have risen sharply since the beginning of the year and this progression has even been accentuated in October. September was plagued by supply chain problems affecting production as well as logistics and transport (problems that are not yet over and that should be felt in the global economy until at least mid-2022). Thus, following fears that inflation does not seem to be as temporary as most central bankers say, the TINA (There Is No Alternative) syndrome seems to have invaded the minds of investors again. With the support of generally good Q3 earnings releases, equity indices ended the month with gains of between 5.5% and 7.5% in the US and around 4% in Europe. This increase allow these benchmark indices to post performances of more than 15% since the beginning of the year. So, after 2019 and 2020, never 2 without 3!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**Market developments as of end of October 2021**

| | Equities in Local Currencies | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **End of October** | **MSCI World** | **S&P 500** | **EuroStoxx** | **CAC** | **Spain** | **Switzerland** | **MSCI EM** | **CSI 300** |
| **Perf 1 Month** | 5,59% | 6,91% | 5,00% | 4,76% | 2,97% | 4,00% | 0,93% | 0,87% |
| **Perf 3 Month** | 3,44% | 4,78% | 3,94% | 3,29% | 4,40% | -0,07% | -1,02% | 2,03% |
| **Perf YTD** | 18,02% | 22,61% | 19,65% | 23,04% | 12,19% | 13,12% | -2,05% | -5,81% |

| | Commodities | | | | Currencies vs EUR | | | |
|---|---|---|---|---|---|---|---|---|
| **End of October** | **WTI Oil** | **Brent Oil** | **Gold** | **Copper** | **USD** | **JPY** | **GBP** | **CHF** |
| **Perf 1 Month** | 11,38% | 7,46% | 1,50% | 6,26% | 0,14% | -2,19% | 1,73% | 1,91% |
| **Perf 3 Month** | 13,01% | 10,55% | -1,70% | -2,38% | 2,65% | -1,17% | 1,08% | 1,55% |
| **Perf YTD** | 72,24% | 62,90% | -6,06% | 22,28% | 5,67% | -4,24% | 5,86% | 2,16% |

| | Bloomberg Indices Bonds Total returns | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **End of October** | **Global Aggregate** | **US Aggregate** | **Euro Aggregate** | **US 10 Year Treasury** | **German 10 Year Bund** | **Global Credit** | **Global High Yield** | **Emerging Sovereign $** |
| **Perf 1 Month** | -0,24% | -0,03% | -0,61% | -0,45% | 1,75% | 0,01% | -0,54% | -0,42% |
| **Perf 3 Month** | -2,42% | -1,08% | -2,14% | -2,42% | -2,64% | -1,97% | -1,01% | -1,12% |
| **Perf YTD** | -4,29% | -1,58% | -2,89% | -3,89% | -5,14% | -2,71% | 1,16% | -1,55% |

Source: Bloomberg 29/10/21.

In terms of interest rates, long-term bonds continued to ride the upward trend that has been in place since the summer. The US 10-year appreciated by 6 basis points to 1.60, while the 10-year Bund gained 9 basis points, but still remains in negative territory (-0.10%, the highest since May 2019). This move even became more pronounced at the end of the month, just after the ECB meeting. Lagarde alluded to the fact that inflation could last longer than expected, but remains confident that it will normalize next year. Even though the Euro initially appreciated following the ECB press conference, the ECB remains one of the most dovish central banks in the West, which is holding back any Euro rebound for the time being.
After reaching the 1.20% zone during the month, the British 10-year contracted to finish around 1%. As a reminder, the BoE (Bank of England) has suggested that a rate hike before the end of the year is possible. The Chinese central bank (PBOC), for its part, is facing other imperatives to manage. The PBOC has tended to inject liquidity on an ad hoc basis during the month in order to reassure the market and prevent the problems in the property sector from impacting the entire domestic financial sector. We also know that Chinese economic activity has tended to contract in recent months, so the PBOC will have to be rather accommodating in the short term.



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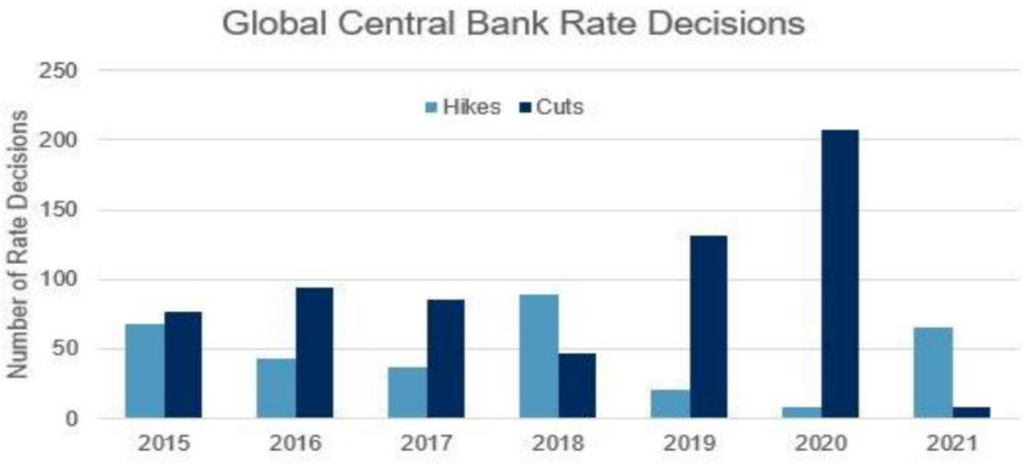


Source: cbrates.com. Data as of Oct. 6. 2021. Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

Is the trade war between China and the United States just an old memory? Since Mr. Trump is no longer president of the United States and no longer tweets every other day to add fuel to the fire, we might have the impression that trade relations between the two largest economic powers in the world are at a standstill. At the moment, investors are more concerned about Chinese moves on Taiwan, and rightly so, but we cannot bury the trade war. Even though an agreement was signed at the beginning of 2020, it is clear that these commitments have not been fulfilled so far. Even if Mr. Biden is more discreet and less theatrical than his predecessor on the subject, the latter thinks no less of it and keeps a rather firm line with China. Far be it from us to look for problems where there are none, but it seems wise to keep a close eye on this dormant issue that could resurface more quickly than we imagine.



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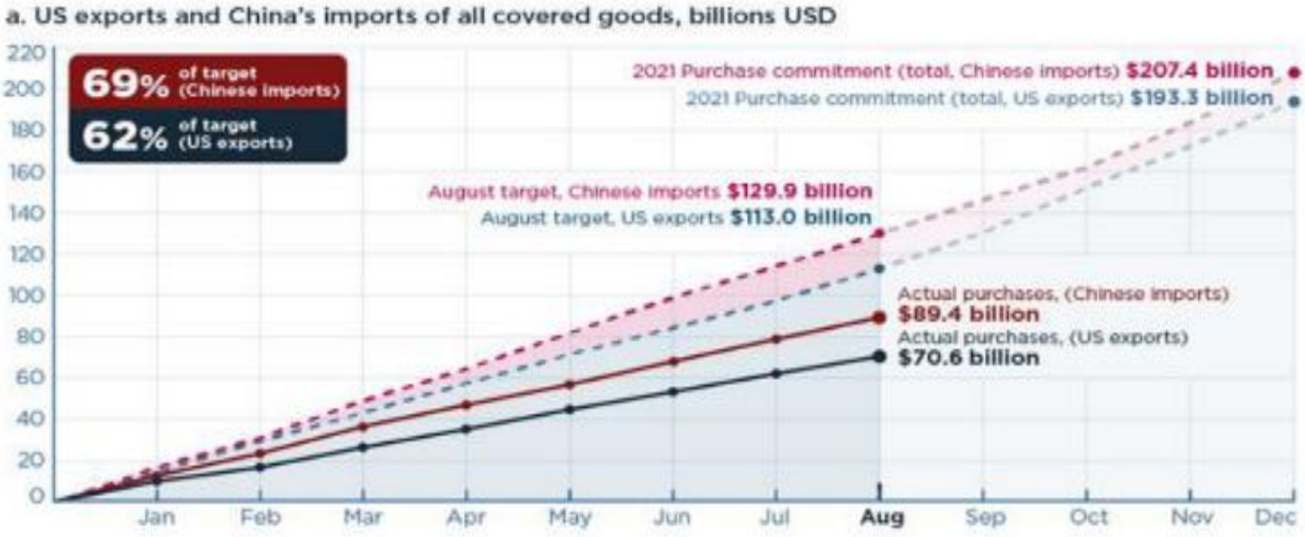
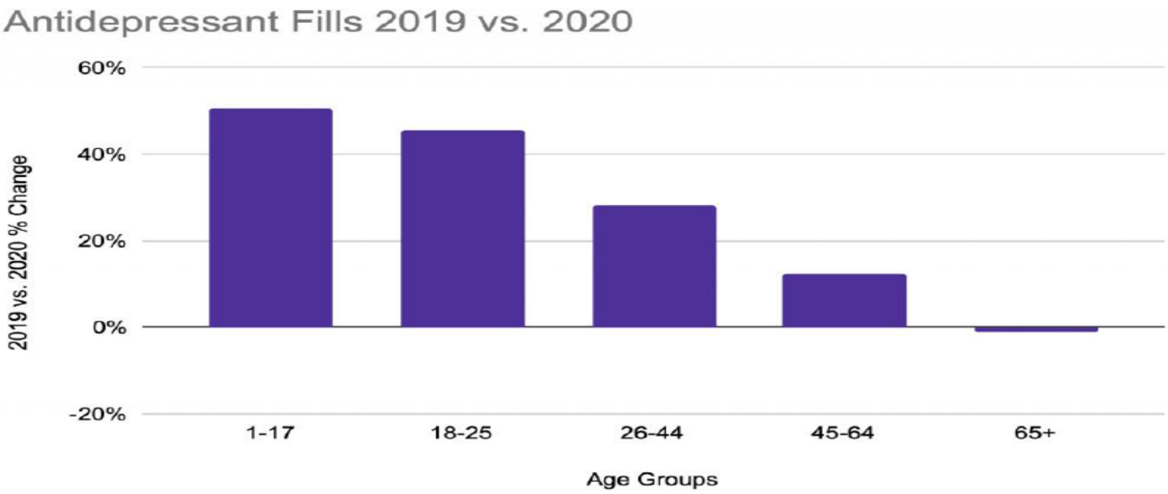



The barroom discussions are far from over on the coronavirus situation, whether it's about the umpteenth wave of contamination or about a future variant that will slip through the cracks of approved vaccines...and what if Covid is just the top of the iceberg? We've analyzed and debated for a long time about the economic consequences of this pandemic, but aren't there more serious consequences that almost nobody is talking about? According to a study by SingleCare, prescriptions for antidepressants literally exploded last year in all professionally active age groups and particularly among those under 20. Some of the more enlightened might try to argue that this is a coincidence, but it is nevertheless very alarming. It is difficult to assess the direct consequences of this situation, but it is obvious that it could strongly increase health costs in the long run and negatively influence private consumption and thus negatively impact future growth. To be continued.




Source : SingleCare



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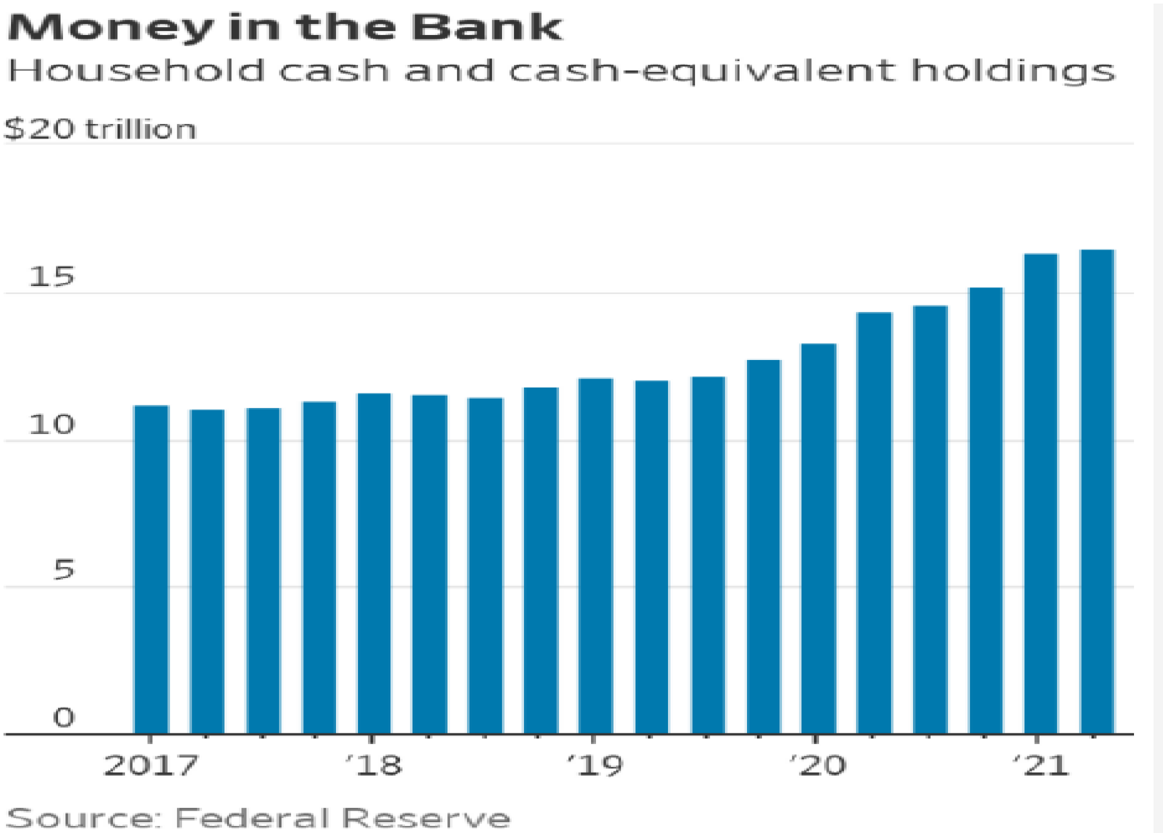
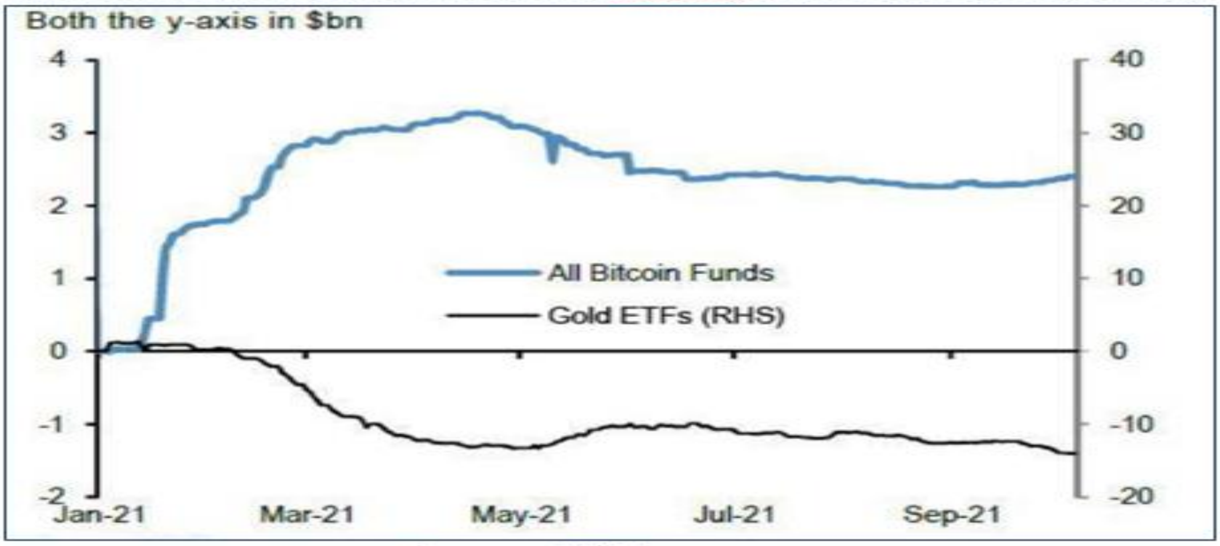
To counterbalance this sword of Damocles on consumption, another interesting statistic could support the equity markets for a while longer. As we watch the world's stock markets beat record after record, we might think that investors are invested "up to their necks", but this is not the case! American households were forced to save money (for those who could afford it) during the various lockdowns and travel restrictions. As a result, "tons" of cash have accumulated in savers' accounts. If we add to this a very favorable corporate financial situation, which is encouraging companies to initiate share buyback programs, the stock market indices could still have a few good days ahead of them. Especially since, as we said in the introduction, the TINA phenomenon is more relevant than ever.




We will end this letter with the most reviled asset class, namely digital assets. October was rather a good month for crypto-currencies and companies active in blockchain. The launch of the first Bitcoin ETF approved by the SEC (the US regulator) allowed major crypto-currencies such as Bitcoin and Ethereum to appreciate by 40.4% and 43.5% respectively to both settle on historical highs. Other lesser-known companies such as Polkadot and Solana also performed exceptionally well during the month. Companies active in the blockchain sector were also very popular, with the BLOK ETF (which groups together several players in the sector) rising by more than 24%.


Even though some detractors (often those who have a lot to lose from the disruption brought by digital assets) continue to hammer away at the fact that these assets have no fundamental value and even talk about fraud, the degree of adoption of these technologies is increasing rapidly. We have learned in the last few months that several respectable companies like Mastercard or Walmart were ready (or about to be ready) to accept payments in Bitcoin. We just want to remind you that digital assets are not only represented by the latter. There is a real industry that is already generating revenue and profits in some areas of business.

**Cumulative Flows in all Bitcoin funds and Gold ETF holdings**




Source : JP Morgan.

Investors seem to be giving more and more credit to this asset class and this seems to be only the beginning.

We wish you a beautiful month of November.





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