

**SARASIN**  
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# Sarasin Six Minute Strategy

## Assessing the damage...

November 2020

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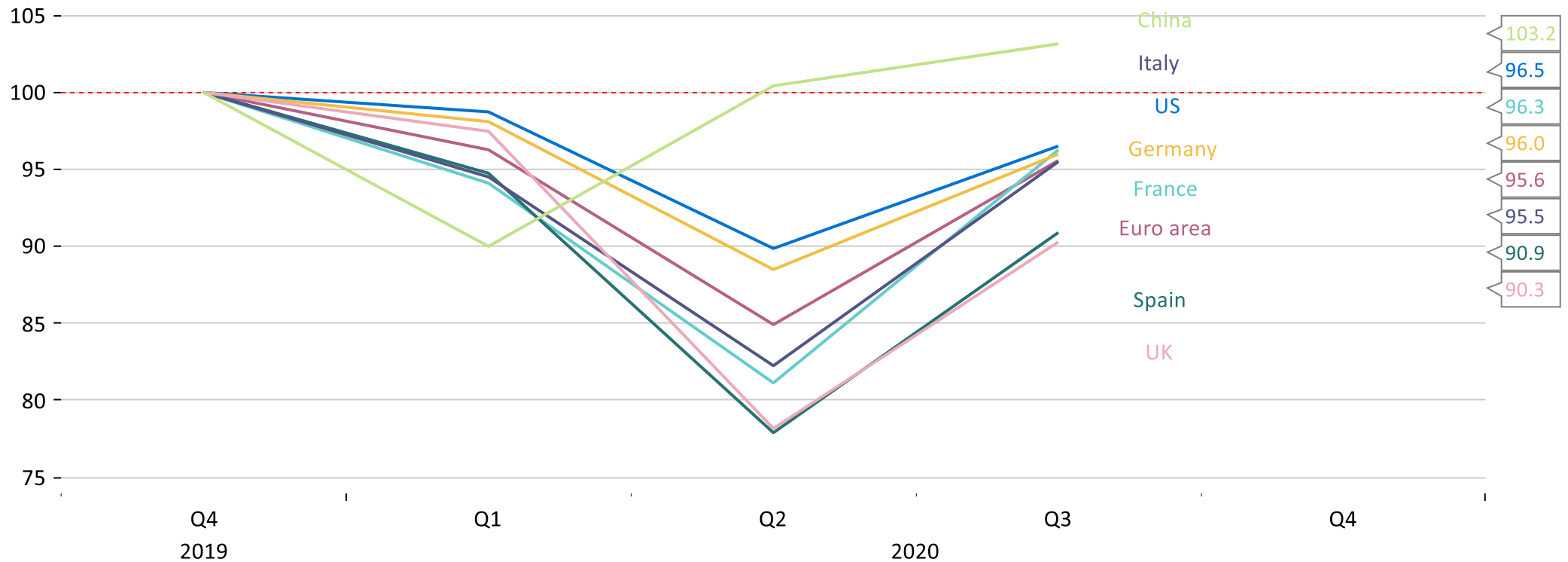
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# Assessing the damage: China's GDP has fully recovered from the COVID19 shock - other economies around 4-10% smaller in Q3 2020

 Unprecedented impact on Western economies with UK suffering disproportionately

Gross Domestic Product (100 in Q4 2019)



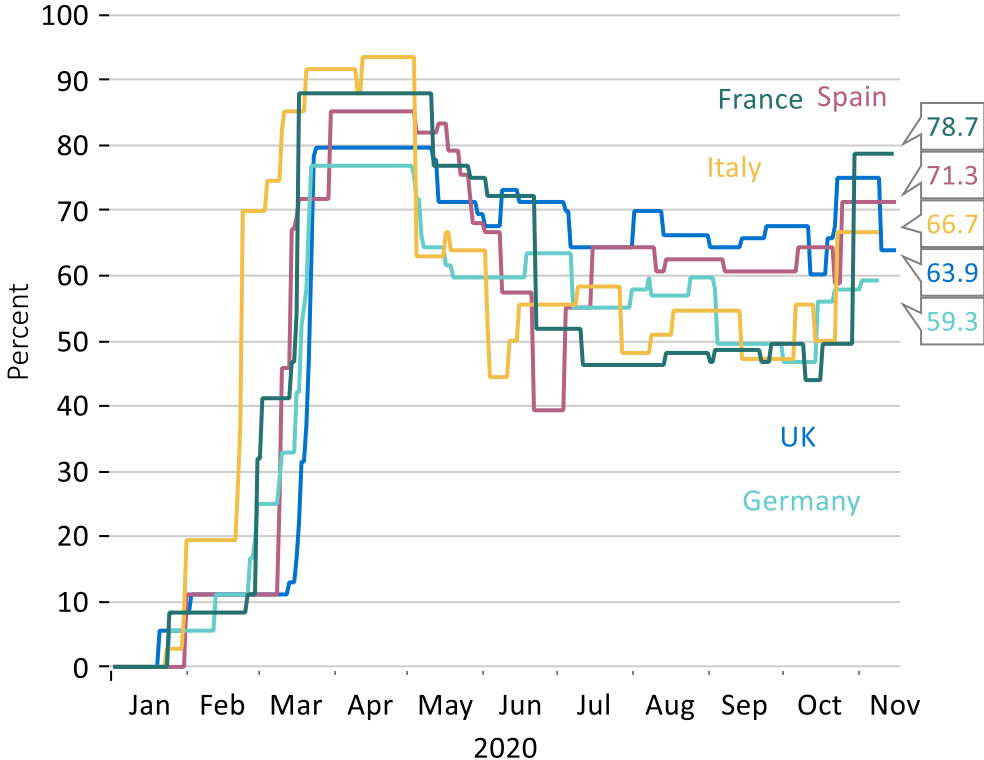
Source: Macrobond, 27.11.20

# Stringency and mobility indices in Euro area – some differences



## Stringency index

COVID-19 Global Stringency Index

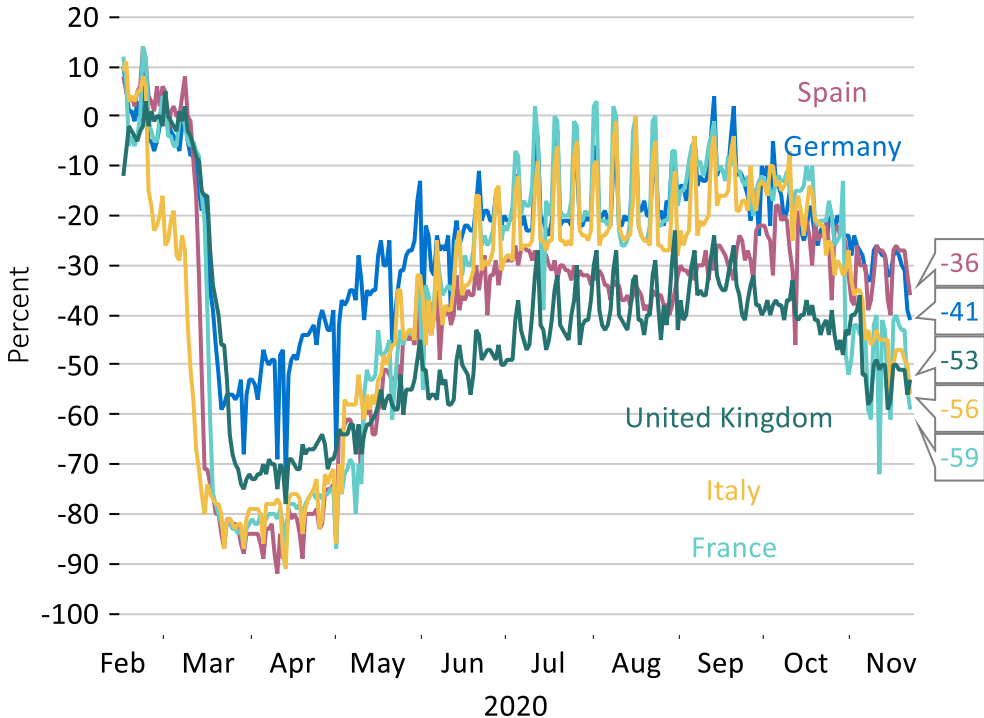


Source: Macrobond, 27.11.20



## Google mobility indices – Transit stations

Mobility, Transit Stations, Length of Stay, The Whole Country, Compared to Baseline

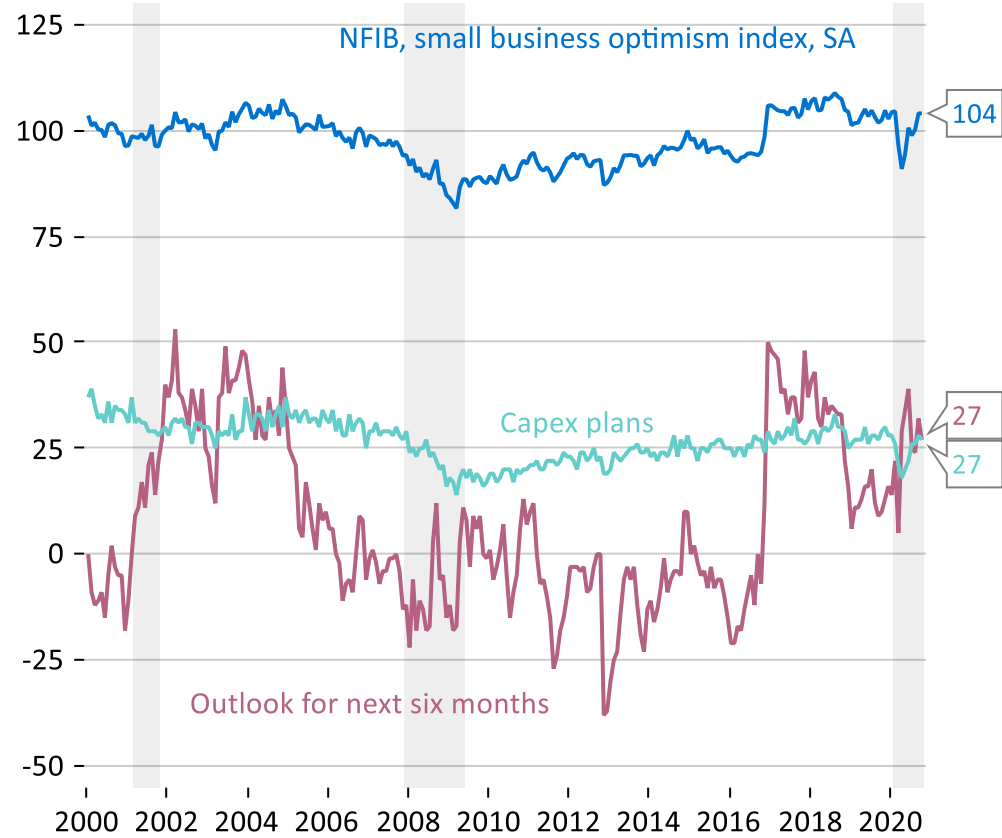


Source: Macrobond, 27.11.20

# Small business optimism is back to pre-covid levels... and new business formation has skyrocketed



## Business confidence bouncing esp. 6m out

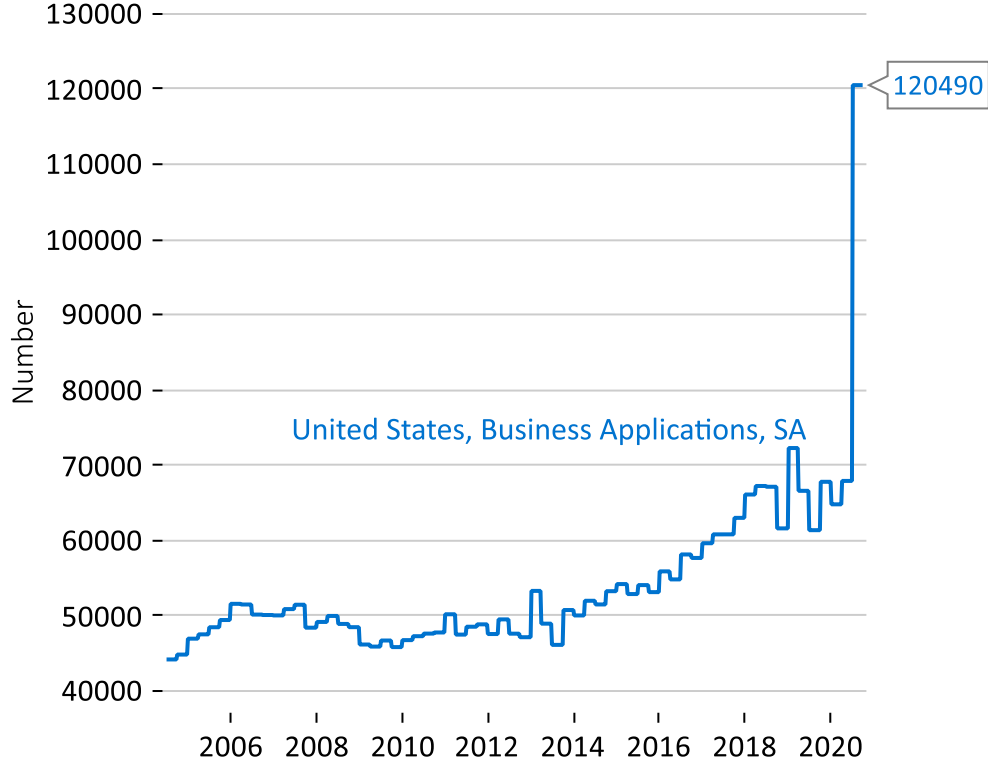


Source: Macrobond, 27.11.20



## New business growth extraordinary

United States, Business Applications, SA



Source: Macrobond, 27.11.20

# Outlook

## Biden vs. Covid vs. vaccine: the growth and inflation calculus

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### 1. No **fiscal package** in lame duck, modest fiscal package in 2021:

- Biden's agenda will need to be centrist to pass in the Senate, regardless of what happens in Georgia. Choice of policy heavy weights for cabinet is a clear signal that the incoming administration does not want confirmations to get bogged down in the Senate.
- Yellen has credibility but she will be hamstrung by Congress.
- Fiscal dominance off the table *for now*. Monetary policy will need to continue to do the heavy lifting.

### 2. **Vaccine** gamechanger for growth?

- Removes the risk of a 3<sup>rd</sup> wave
- Does not change the reality of the second wave.
- Weak Q4/Q1, with a gradual recovery through Q1 and potentially very strong Q2 / Q3.

### 3. **Inflation:**

- Base effects lead to firming in Q2 / Q3
- Accelerated adoption of technical progress: will this not dampen impulse?
- Best Guess: Keep at 1% - 2% with a central tendency at 1.5% across developed countries.

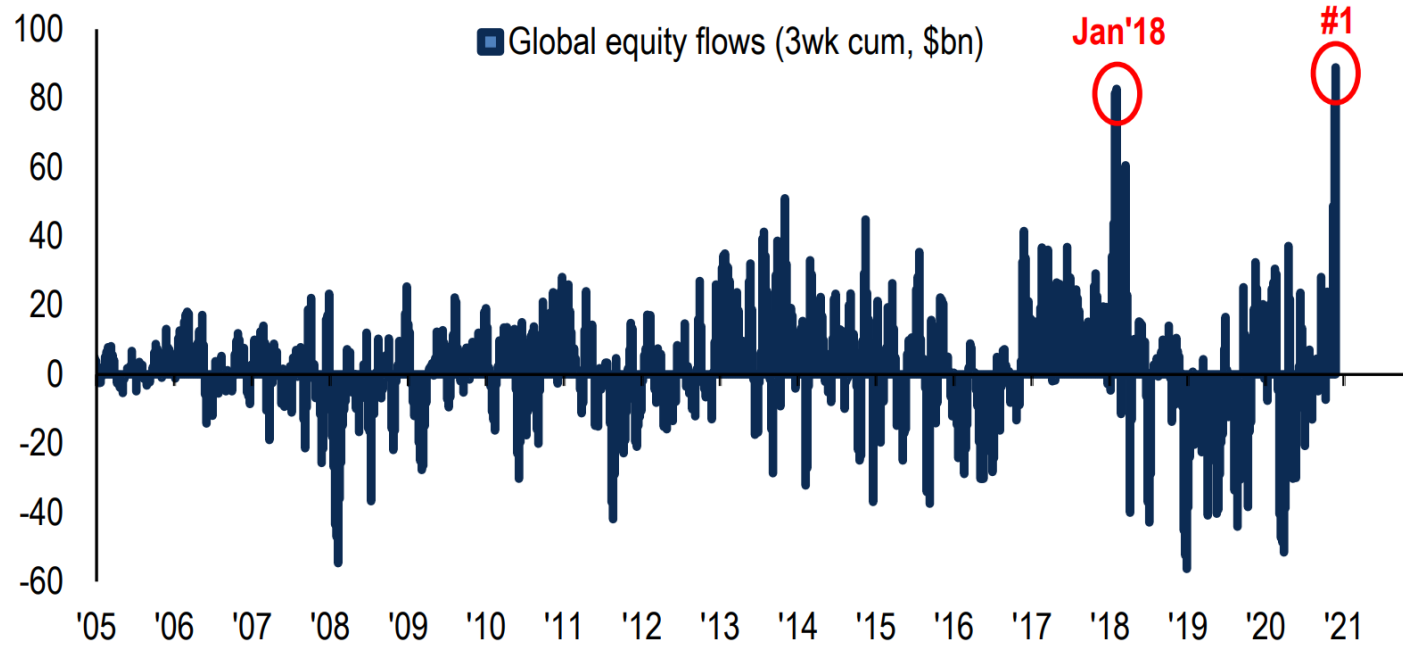
Where does that leave the 10yr yield: A range of 0.5% - 2.0% with a central tendency of 1.25%.

# Prospect of vaccine and reopening triggers extraordinary asset flows...



Bank of America flows based on data Nov 19-24<sup>th</sup> 2020

**Chart 2: Record 3-week inflow to global stocks**



Source: BofA Global Investment Strategy, EPFR Global

## The last 3 weeks saw:

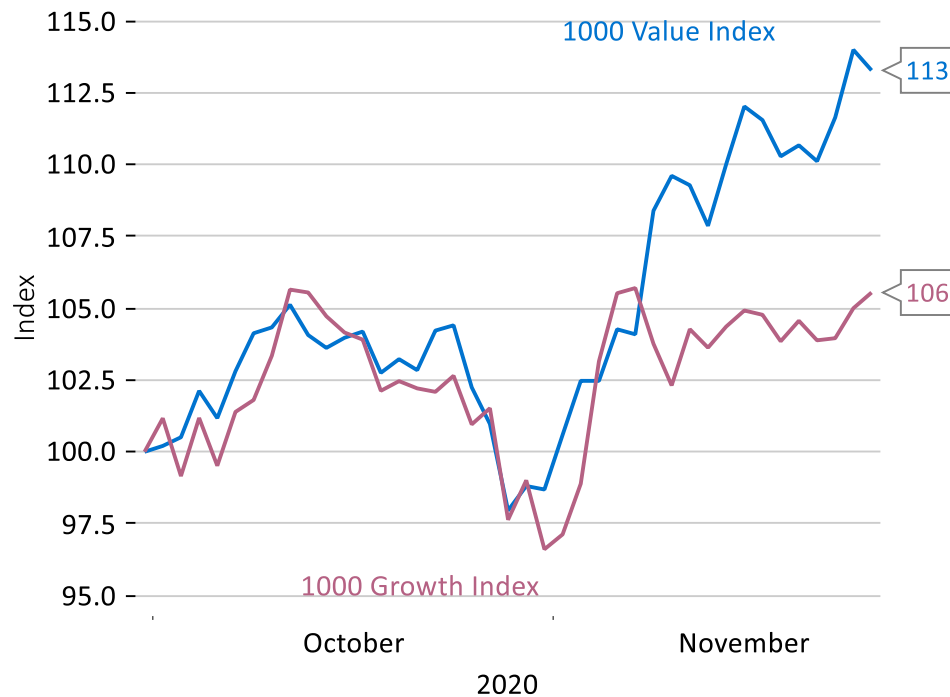
- A record inflow into global equities
- 2nd largest flow into value stocks ever
- Record flow into EM debt & Equity

# This month's surge in value stocks was one of the largest in 30 years...



US growth stocks still dominate returns in 2020

US Russell Equity Indices  
Q4 2020 to date

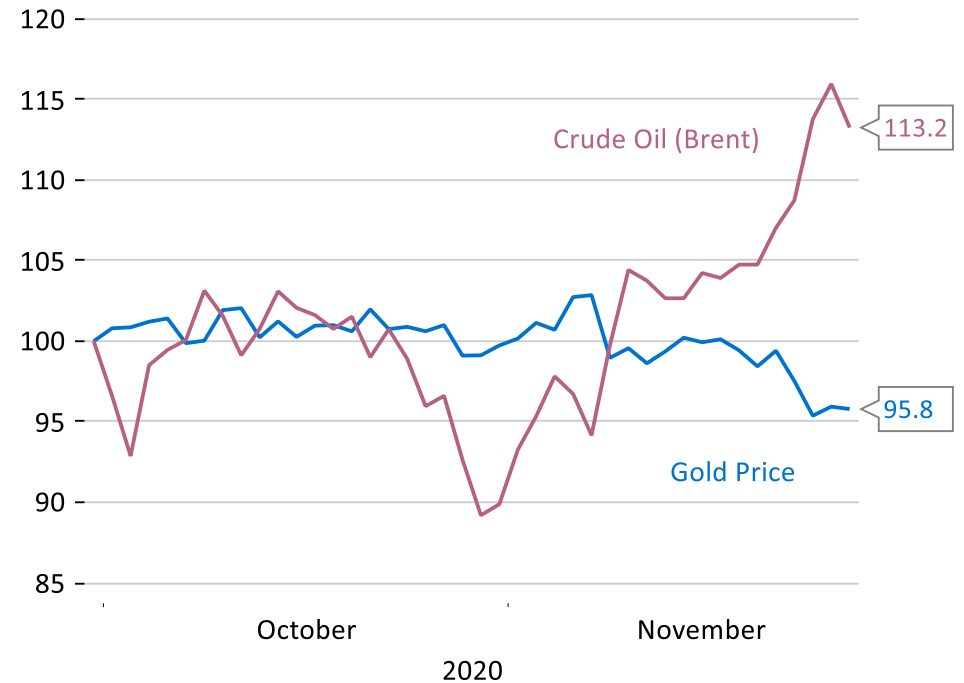


Source: Macrobond, 27.11.20



Recovery prospects trigger sharp move in oil/gold

Oil and Gold  
2020 Q4 to date



Source: Macrobond, 27.11.20

# Markets 2020

Gold still leads – UK equities continue to lag – volatility falling sharply

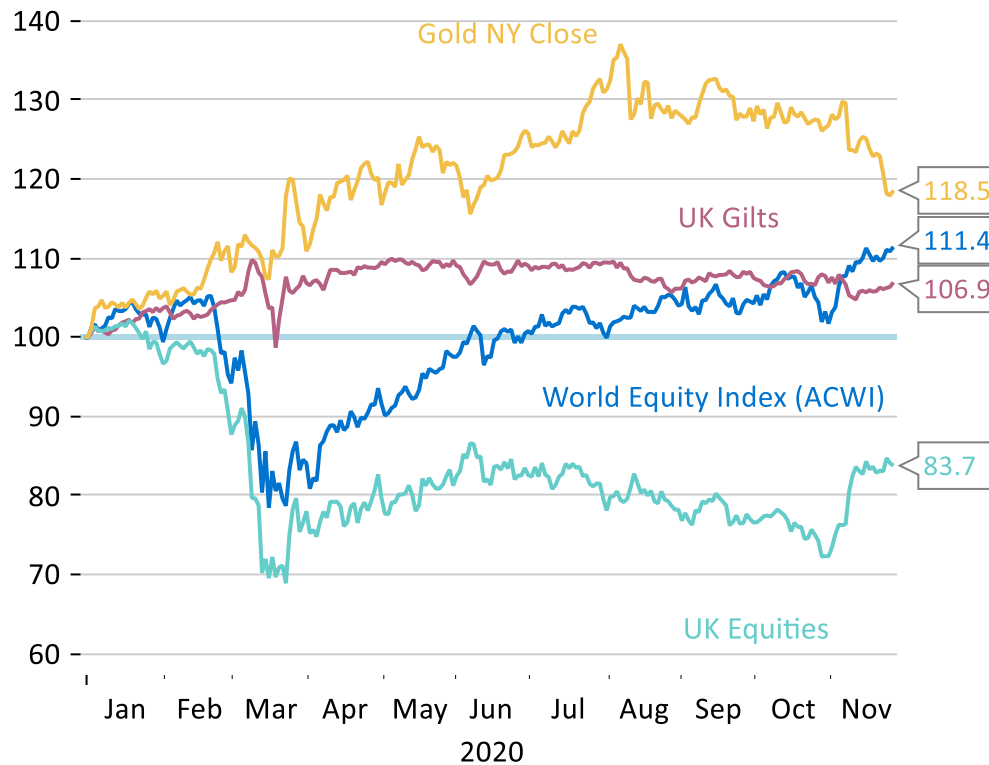


Equity rally continues on election and vaccine



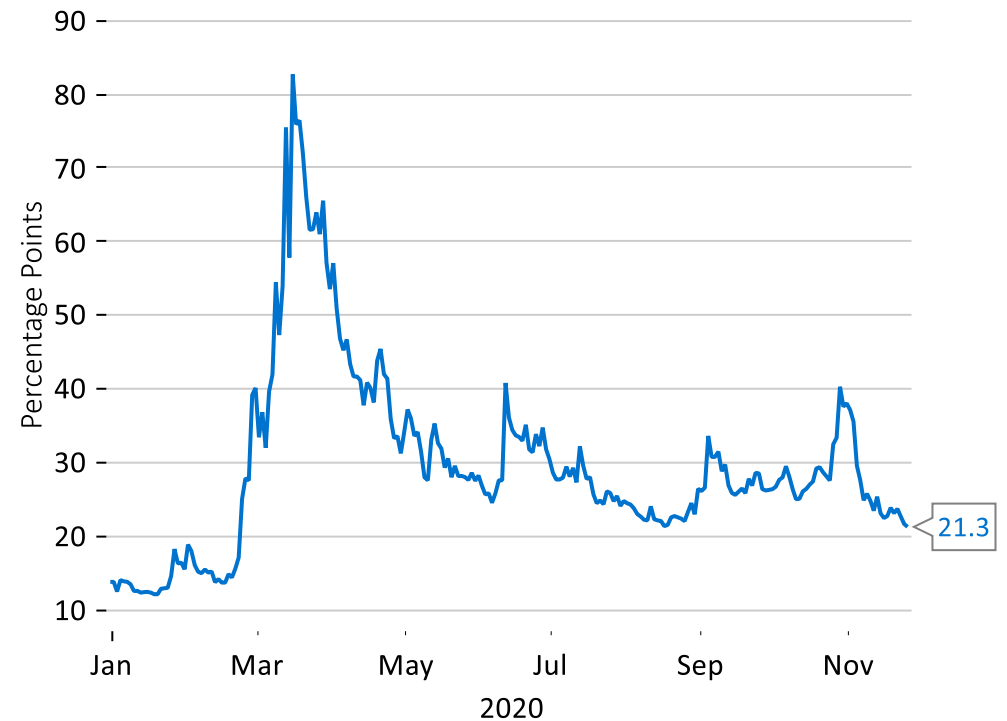
Volatility continues to decline

### Global Asset Class Returns 2020 (GBP)



Source: Macrobond, 27.11.20

### US Equity Volatility Index (VIX) 2020 to date



Source: Macrobond, 27.11.20



# Important information

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