

Sarasin Six Minute Strategy
Market outlook & the road to vaccination...
November 2020

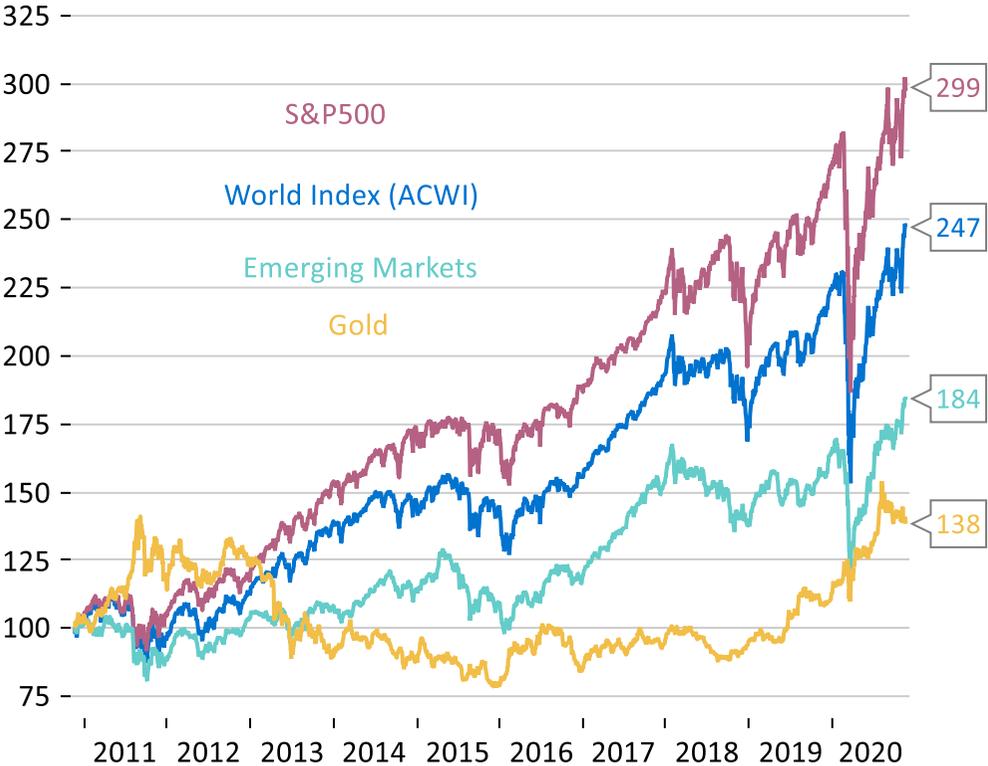
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Markets betting on recovery: Global equities reach new highs while copper returns now close to gold for 2020...

Global equities reach new highs

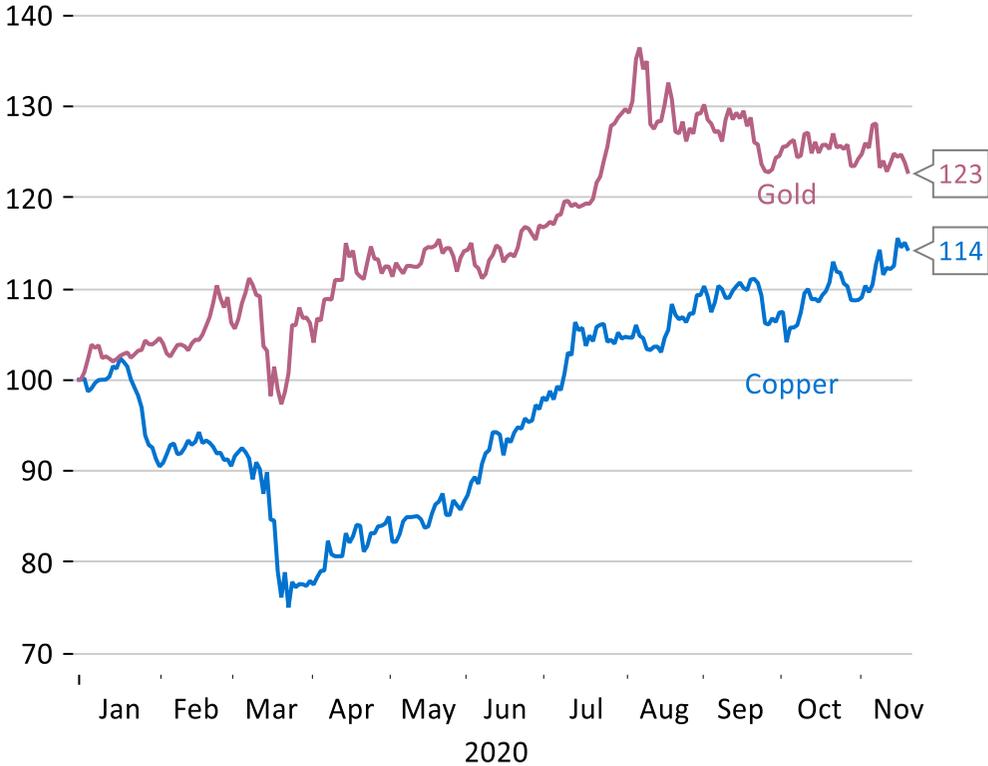
Global Equity Returns last 10 years



Source: Macrobond, 20.11.20

Copper prices catching up with gold – a reflation signal?

Gold and Copper returns 2020



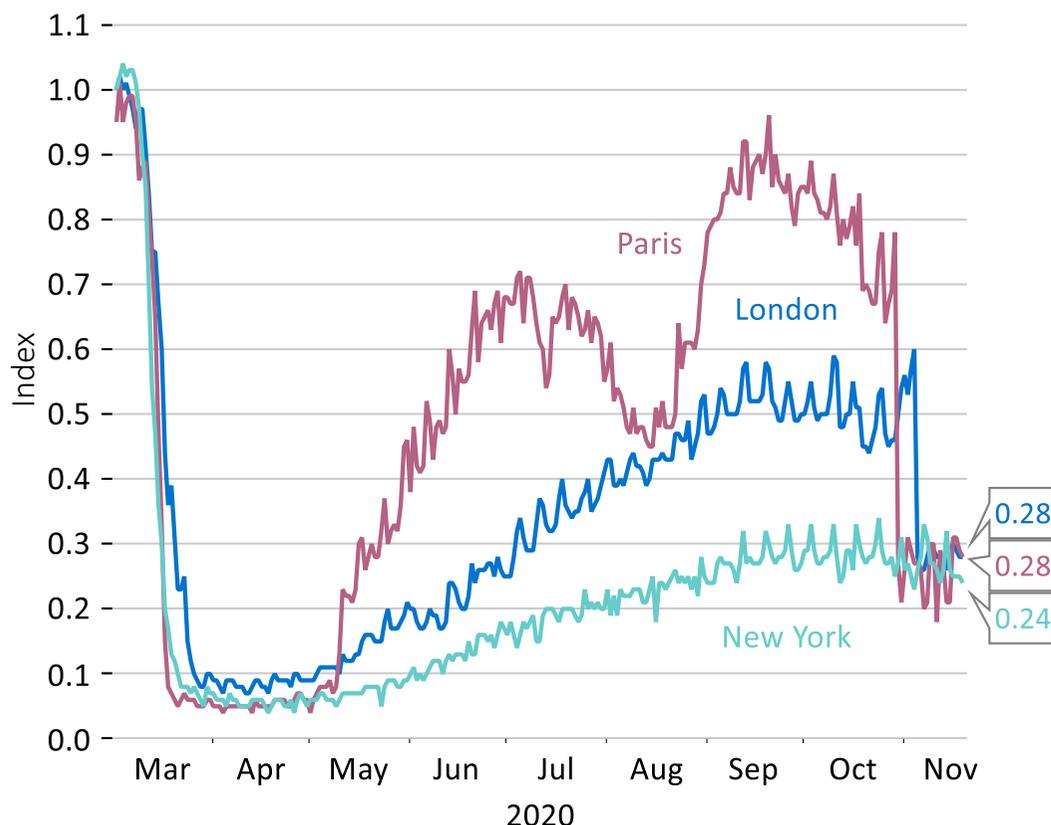
Source: Macrobond, 20.11.20

Risk 1. New lockdowns suggest a ‘W’ shaped recession – can a vaccine reverse this in time?



Lockdowns less severe than Q2 2020

Citymapper Mobility Index - Paris, London, New York



Source: Macrobond, 20.11.20

Source: Citymapper uses "aggregated data based on trips planned in the app" to create their mobility index

Vaccines - what we know so far:

- **Moderna's** RNA vaccine is 94.5% effective:
- **Pfizer COVID RNA** vaccine, developed with BioNTech of Germany "prevents 95% of COVID infections" - could get an EUA* in early December
- **Astra/Oxford** is also progressing OK - Early data show 100% of patients got an antibody/T cell immune response.

Manufacturing already very much in place – distribution still a Herculean Task

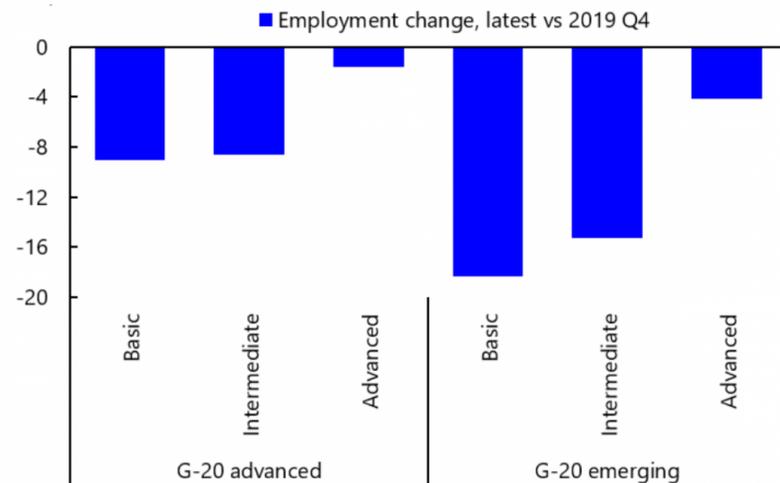
2. Scarring: Emerging economies & low skilled workers have been hit particularly hard by the crisis



Low & medium skilled workers hit particularly hard

Addressing job losses

Employment of low- and medium-skilled workers, especially those in G20 emerging markets, has been hit especially hard by the crisis. (change in employment by education, percent)



Sources: ILOSTAT; and IMF staff calculations.

Note: Employment for ages 15–64. Basic: primary and lower secondary education; intermediate: upper-secondary and post-secondary non-tertiary education; advanced: above post-secondary non-tertiary education. G-20 advanced economy aggregated based on CAN, FRA, ITA, KOR, ESP, GBR, USA; emerging market aggregate based on BRA, MEX, TUR, ZAF. CAN, KOR, USA: latest is 2020 Q3; Q2 for all others.

INTERNATIONAL MONETARY FUND

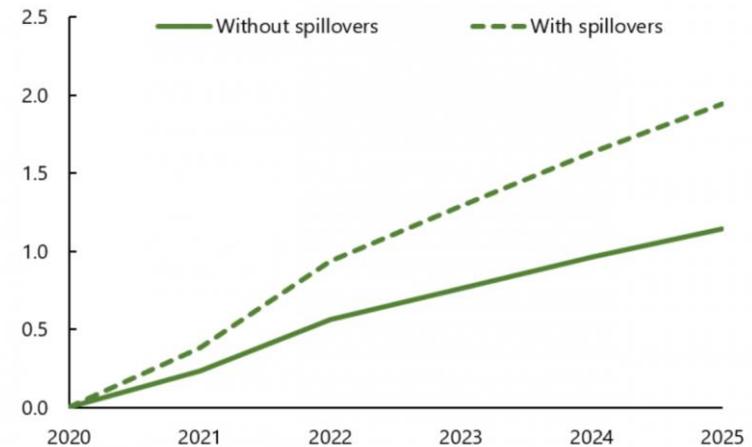
Source: IMF 19 11 2020



Simultaneous global infrastructure spend proposed by IMF

Boosting global growth

Global GDP could rise by nearly 2 percent if countries took a synchronized approach toward investing in infrastructure. (percent deviation from baseline)



Source: IMF staff calculations.

Note: All scenarios assume accommodative monetary policy. Economies with substantial and some fiscal space increase infrastructure spending by 1/3 percent of GDP in 2021, increasing to 1 percent of GDP in 2022 and keeping it at that level until 2025. After 2025, public infrastructure spending returns to baseline over the next two years. Economies with fiscal space at risk increase infrastructure spending by one third of that. Economies with no fiscal space do not increase spending. Fiscal space is as in the IMF's 2020 G-20 Report on Strong, Sustainable, Balanced, and Inclusive Growth. The case without spillovers is a GDP-weighted average impact of each country raising infrastructure spending individually. The case with spillovers is the GDP-weighted average impact of all countries raising infrastructure spending simultaneously.

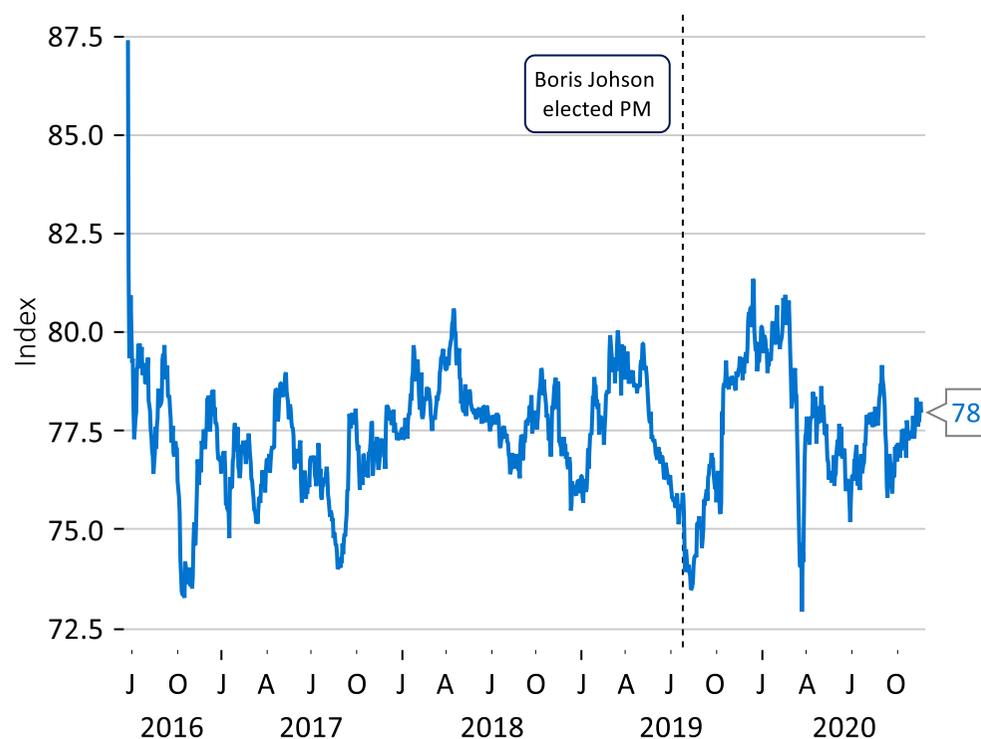
INTERNATIONAL MONETARY FUND

3. Brexit: Still down to the wire...



Sterling has been a reasonable barometer of 'Deal/No-Deal'

Bank of England Sterling index since Brexit Vote



Source: Macrobond, 20.11.20



Outline of a deal have been clear for a while

- Little tangible progress in last few weeks
- Timeline is challenging - first week in December looks like hard deadline (but might not be)
- Hints from behind the scenes a deal might be announced next week

Our view

- Still believe a 'skinny' deal is more likely than not (c.2/3 likelihood agreed at IPC)
- No-deal/breakdown in relations would see uncertainty escalated – UK-US trade deal at risk, boost to Scottish independence, bad-tempered UK-EU negotiations over aviation, financial sector “equivalence”, NI border etc

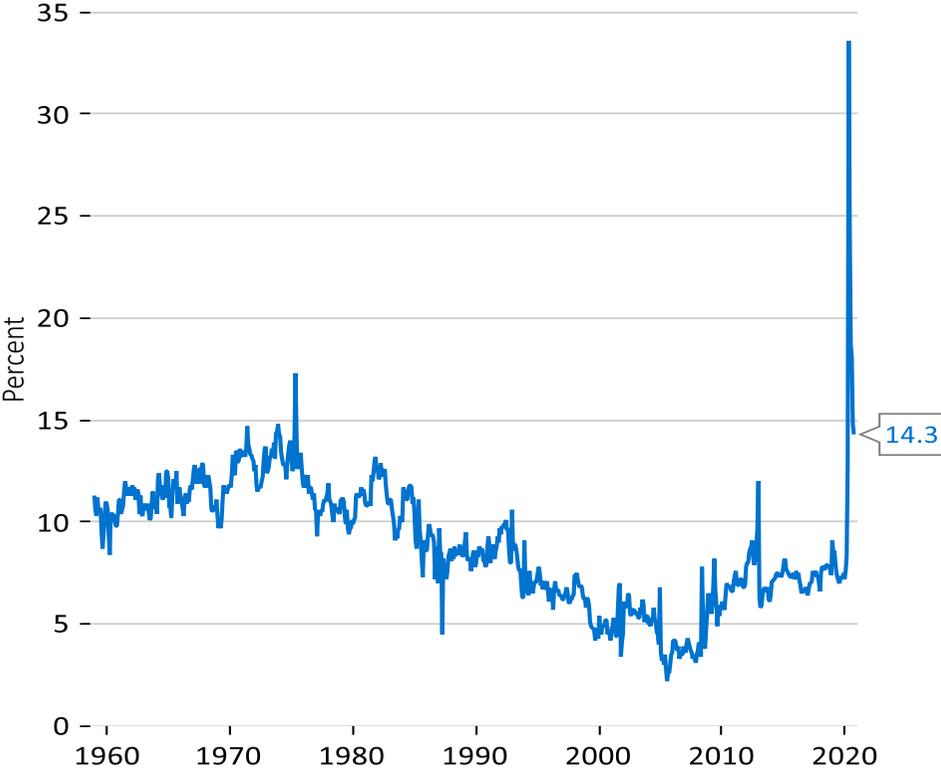
Why we are still overweight equities:

1. Liquidity still generous...

 Lower spending & rising govt. payments lifts savings

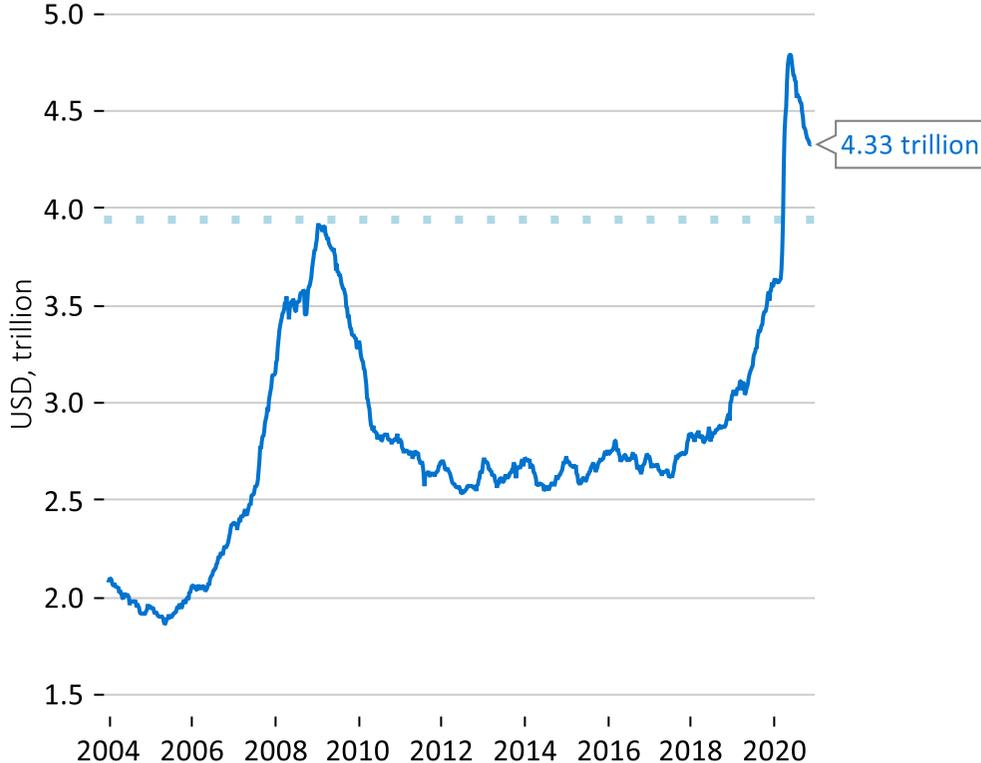
 Volume of US Money Market Funds soars

US Personal Saving Rate



Source: Macrobond, 20.11.20

US Total Money Market Fund Assets, USD



Source: Macrobond, 20.11.20

2. US Election result good for markets

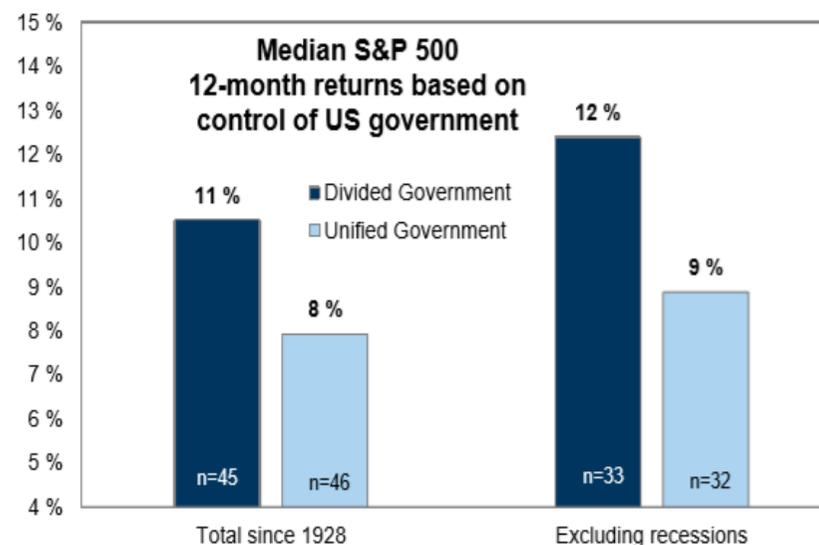
No blue wave, no blue sweep, more a blue ripple...



Divided US government is generally good for markets...

- With a **Biden win** we end up with a centrist Democratic President likely hamstrung by a marginally red Senate & a less blue house.
- **Fiscal activism less likely** – a market friendly outcome?
- **2022 Senate races become key focus** – legislative checkmate till then.
- The big if is a peaceful transition - **Mnuchin-Powell split** on preserving emergency Federal Reserve lending programmes is concerning...

Exhibit 1: S&P 500 returns based on the control of federal government since 1928



Source: Goldman Sachs Global Investment Research

Source: goldman Sachs Nov 2019

3. Opportunities in thematic value stocks...

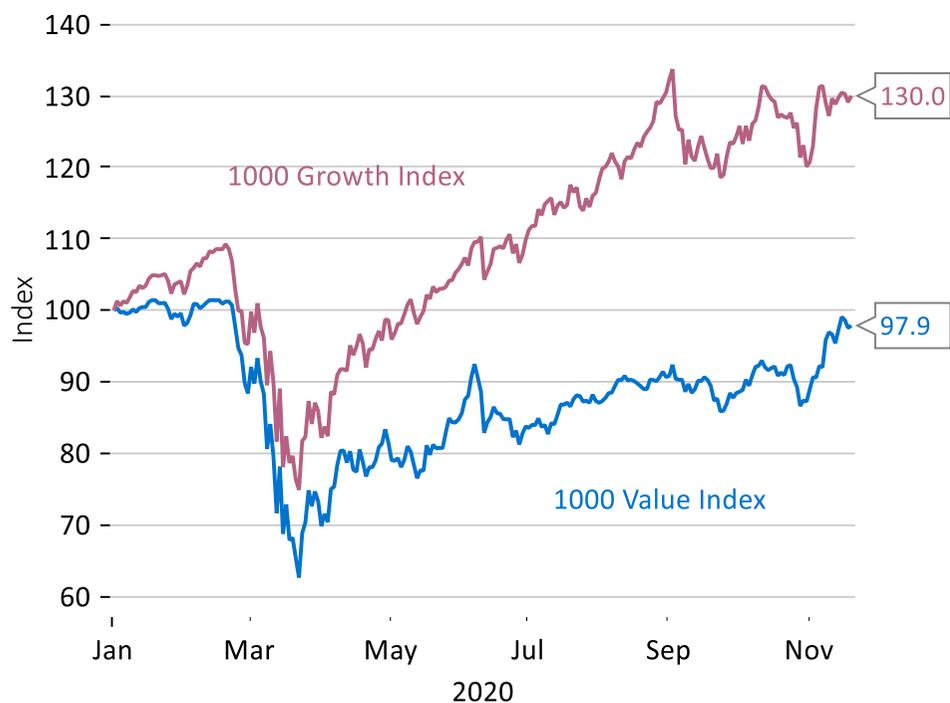


Industrial valuations attractive on climate pledges...



At lower levels of volatility portfolio protection is affordable

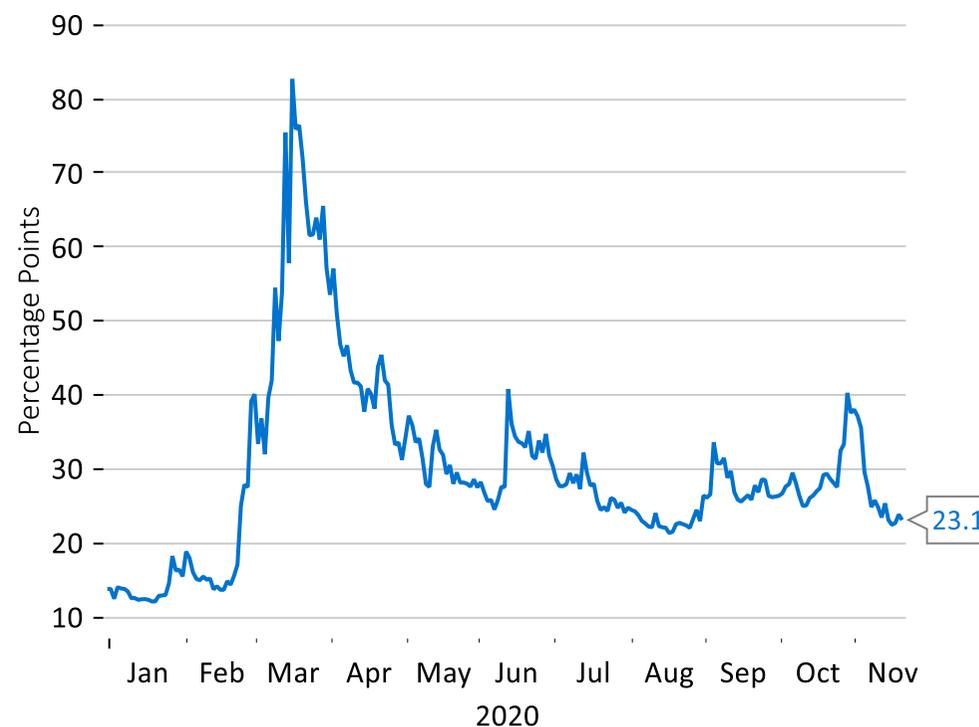
US Russell Equity Indices 2020 Year to date



Source: Macrobond, 20.11.20

* JP Morgan Nov 2020

US Equity Volatility Index (VIX) 2020 to date



Source: Macrobond, 20.11.20

Our global reflation indicators still trending higher despite the resurgence in virus infections...

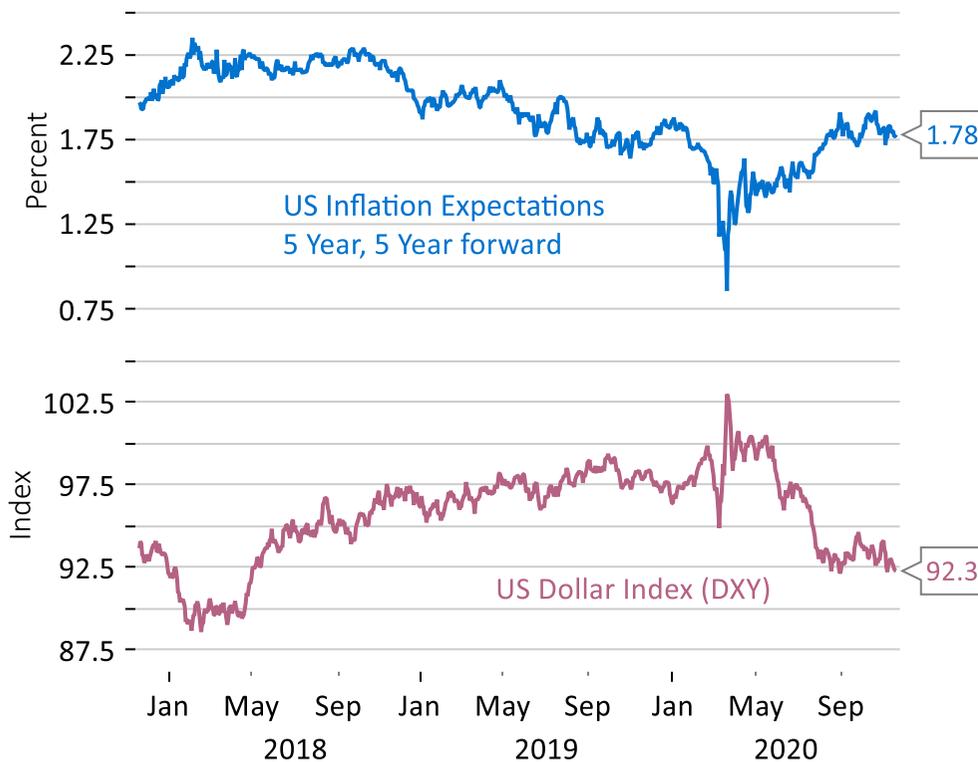


US inflation expectations recovering - dollar trending lower



Euro break-up risk lower – German business sentiment rising

US Forward Inflation & the Dollar



Source: Macrobond, 20.11.20

Italian Bond Spreads & the German Industrial Sentiment



Source: Macrobond, 20.11.20

Important information

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