

# Global Market Watch

Global markets  
Periodic  
December 2, 2020

## What's moving markets

- November turned out to be one of the best months for global equity markets, helped by positive vaccine news and fading uncertainties related to US elections. Most of the European and American indices posted a strong double-digit growths in November. Notably, in the second half of November news about the third and more affordable vaccine broke from AstraZeneca and Oxford University. The vaccine was found to be up to 90% effective (depending on dosage) vs. c. 95% efficacy of Moderna and Pfizer's vaccines. AstraZeneca vaccine will be priced \$3-4 and can be stored at fridge temperature, making the mass distribution of the vaccine much easier, unlike Pfizer and Moderna, which will cost more and require extremely low temperatures for storage (-70C and -20C, respectively).
- Notably, on 30 November, Moderna announced that the company would be seeking US and EU emergency authorization for its COVID-19 vaccine, as the vaccine's efficacy rate was found to be 94.1%, based on late-stage study, with no serious safety concerns. This makes Moderna, the second vaccine on track to start distribution in December, after Pfizer and BioNTech, which submitted their Covid-19 vaccine for emergency authorisation in the US on 20 November. The US Food and Drug Administration's advisory group is likely to discuss the vaccines on 10<sup>th</sup> and 17<sup>th</sup> of December, respectively.
- Vaccine news also improved the risk sentiment of global investors. Capital flows to emerging markets (EMs) have experienced the 'strongest pace in many years' according to the Institute of International Finance (IIF). If the pace of non-resident portfolio flows to EMs continues throughout December, the fourth quarter could see the highest level of net EM debt issuance on record, according to IIF's data.
- Rush to cyclical stocks continued in the second half of November. Energy stocks, financial companies and industrials experienced the strongest rebound on monthly basis, as investors rotated from tech companies.
- Overall, November was a robust month for global equity markets, with most of them recording double-digit percentage gains. S&P 500 finished the month 10.8% higher compared to end-October levels, while Dow Jones hit all-time high of 30,045 on 24<sup>th</sup> of November and was up 11.8% on a monthly basis. Tech-heavy NASDAQ composite also posted a strong 11.9% growth in November. European stocks were also boosted by the vaccine news with STOXX 600 and FTSE 250 increasing by 13.7% and 12.3% over the same period, respectively.

**S&P 500**



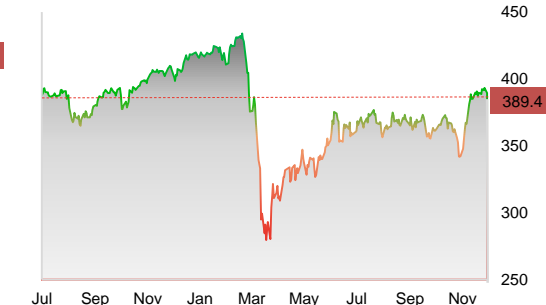
**Dow Jones Industrial Average**



**NASDAQ**



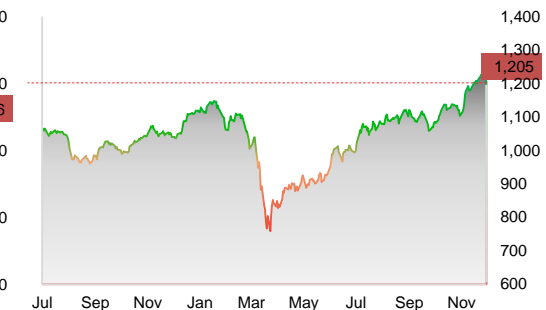
**STOXX 600 Europe**



**FTSE 250**



**Emerging Markets Index**



Source: Bloomberg  
Note: Data as of 30 November 2020

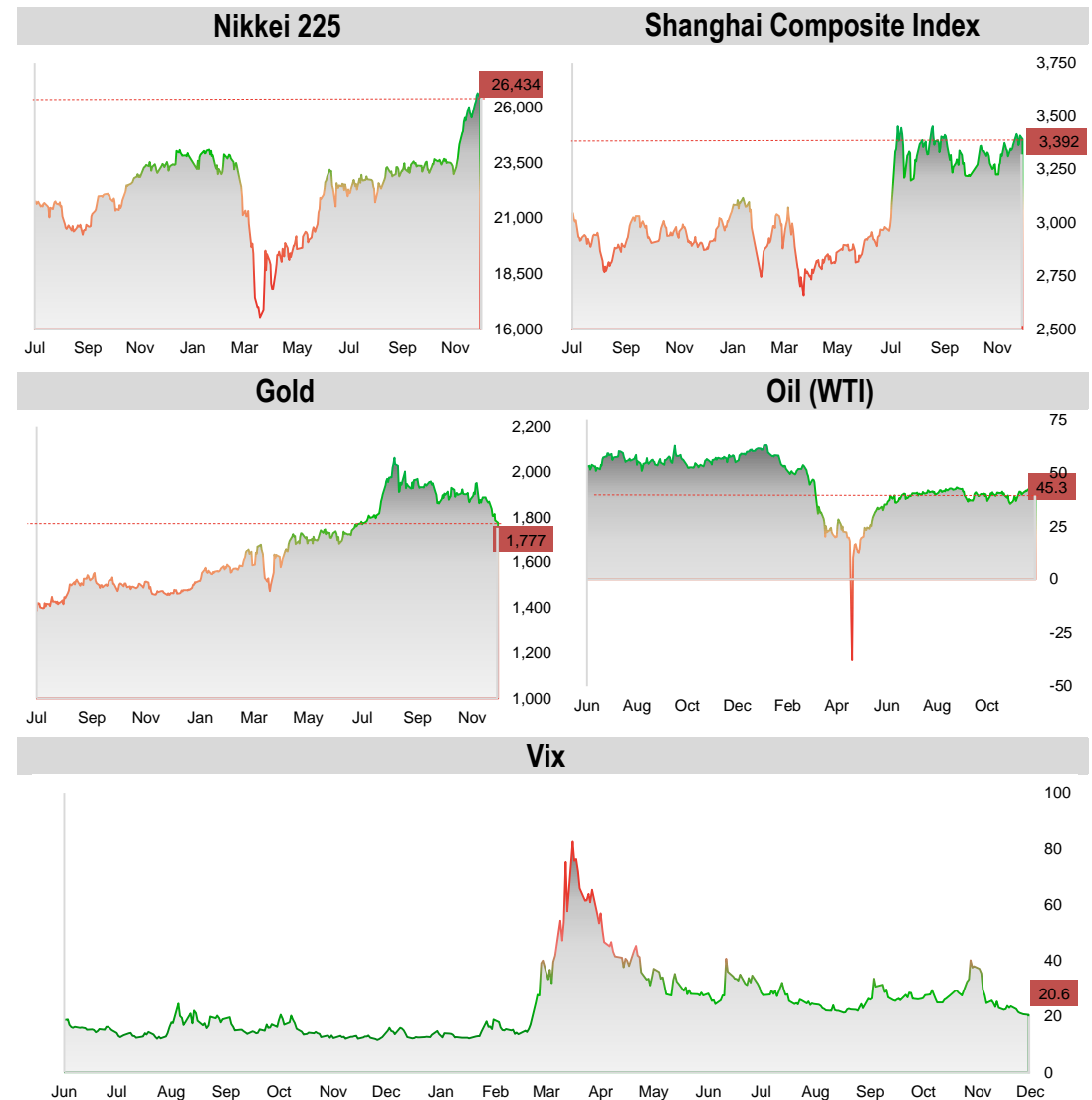
- Chinese bond market, which is worth more than US\$ 15tn and is the second largest bond market in the world, has come under investor scrutiny in November. Chinese corporate bond markets have seen a string of defaults, the most important was the default of a large state-owned coal company in central China, on bonds worth US\$ 152mn. This along with the defaults of other state-owned enterprises has caused increase in borrowing costs for state-owned companies. The Vice Premier Liu He has warned borrowers that Beijing would take a “zero tolerance” approach to misconduct in financing deals.
- Despite the default spree, global investors are rushing to gain exposure to **China**. China’s recent placement of its first negative-yielding, euro-denominated - EUR 4bn - sovereign bond has attracted orders for more than EUR 18bn. In the equity markets, Shanghai Composite finished November 5.2% higher.
- Japanese stocks** continued the rally, with Japan’s Nikkei 225 index up 12.9% in November, reaching the highest level since 1991. This is in line with the global rotation from “growth” stocks to more cyclical fundamental stocks, which benefits Japan, with its large stock of industrial companies.

## Commodities

- The rally of oil prices continued in the second half of November, helped by the vaccine news. WTI oil price recorded a 26.7% growth in November, hitting US\$ 45/barrel by end of November, for the first time since early March.
- For gold, November turned out to be the worst month in 4 years, with the price dropping by more than 5%. Gold was trading at \$1,777 per troy ounce as of 30 November. This decline came in on the back of improved market sentiments (supported by vaccine news), which lowered demand on safe-haven assets such as gold.

## Volatility

- On the back of improved sentiments, the volatility in the markets dropped to pre-COVID levels. Cboe Volatility Index, VIX, the gauge of fear in S&P market, dropped to 20.6 by 30 November.



Source: Bloomberg  
Note: Data as of 30 November 2020

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### Head of Research

Eva Bochorishvili | [evabochorishvili@gt.ge](mailto:evabochorishvili@gt.ge)

### Senior Analyst

Ana Nachkebia | [ananachkebia@gt.ge](mailto:ananachkebia@gt.ge)

**Address:** 79 D. Aghmashenebeli Avenue, Tbilisi 0102, Georgia

**Tel:** + (995) 32 2401 111

**Email:** [research@gt.ge](mailto:research@gt.ge)