
Market Review

November 12, 2020

Market Commentary

Two major events have assuaged the elevated level of uncertainty that has prevailed throughout most of this year.

First, the conclusion of the U.S. election which has resulted in a confirmed Biden victory with a likely legislative gridlock. A more conciliatory President may help to alleviate global trade tensions and relationships. A divided Congress suggests major tax increases and regulatory overhauls will be difficult to implement. Should a different outcome unfold in the weeks to come, a retracement from recent gains in stock markets is highly probable.

Secondly, the announced development of a highly effective COVID-19 vaccine by Pfizer and BioNTech. The apparent breakthrough has not only boosted the stock prices of pandemic-challenged businesses but overall sentiment regarding the visibility and pace of the economic recovery going forward. While future economic risks have subsided sharply, sentiment may be tempered as the near-term economic impact of virus resurgences in most major countries are felt.

So once again, it comes down to monetary and fiscal policy support to provide the financial bridge to when economies can fully reopen. Central banks have affirmed their commitment to near zero interest rates and quantitative easing. Government support programs have largely been extended except in the United States which has yet to approve another stimulus package. A slimmed down package is expected to be forthcoming post-election.

Stock markets are forward-looking and undoubtedly recent events have made the outlook clearer and brighter. Ongoing encouraging news flow related to vaccine development will be supportive for equities. While the logistics and time required to manufacture, distribute and inoculate the global population means the virus will persist well into next year, there is a much more visible path to its eventual eradication and a return to normalcy.