evidence based investing

Monthly Report
November 2021

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GLOBAL EQUITIES MARKETS (%)						
As of 30/11/2021	1-MONTH	3-MONTHS	YTD	1-YEAR	3-YEARS	5-YEARS
S&P 500	2.85	5.29	26.78	28.53	65.60	109.26
MSCI ACWI IMI	0.83	1.93	17.49	20.45	49.42	79.59
TOPIX	0.29	-0.32	2.08	3.66	18.42	36.83
MSCI Emerging Markets	-0.61	-3.23	-1.16	3.63	25.83	48.77
MSCI Asia Pacific (ex-Japan)	-1.00	-3.06	-2.95	1.32	30.98	53.94
MSCI Europe (Ex-UK)	-1.67	-2.42	12.31	14.61	37.95	61.63
FTSE All-Share	-2.24	-1.42	13.04	17.40	16.92	30.61

Source: Morningstar

Overall Market Backdrop, November

- Equities once again fell victim to a new Covid variant; Omicron caused increased fears in investors and many of the gains made by equity markets at the beginning of the month were wiped out.
- As anticipated, investor fears dripped over to the bond sector and many of the yields decreased as government bonds rallied for the month.
- The re-emergence of heightened fear caused the Minimum Volatility and Quality factor to kick into overdrive and be the top two performing factors for the month.

Drivers of Market Conditions in November

- The monthly performance data does not give the full story for equities throughout November, while the month as a whole proved to be a torrid time for Global equities, many of them had a tale of two halves which ended on a sour note with the rising global COVID-19 cases causing concerns of a fourth wave. The S&P 500 started strong early on in the month while it brushed aside inflation fears and supply chain concerns, this was with the help of positive labour market readings. This was however short-lived and inflation fears once again caused the S&P 500 to retreat from record highs following a technology sell-off. The emergence of the new Covid variant in South Africa quickly gripped the market and many of the gains made throughout the month were quickly erased following concerns. Jerome Powell was nominated for a second term as Fed chair which may mean continuity in Fed policy decisions for the upcoming years.

Drivers of Market Conditions in October - Continued →

- European and UK equities also had a solid start to the month with policy and economic data support driving performances. The Bank of England's unexpected decision to keep rates unchanged also helped boost UK equities. UK equities struggled mid-month following the UK's decade-high inflation print, which fueled BoE rate hike expectations. European equities also have mid-month struggles as the continuing battle of inflation data challenged the positivity coming from earnings-driven sentiment. Both regions plunged into negative territory with the arrival of Omicron; new restrictions throughout Europe have been a result of rapidly rising COVID-19 cases across the region.

- With winter swiftly approaching and the emergence of the Omicron virus, Europe has seen a spike in cases which has caused a new wave of restrictions. However, the restrictions have been varied:

    - Belgium and Germany have implemented a new work from home restriction.

    - Countries like Austria have now implemented a nationwide full lockdown.

    - The UK has brought back face mask requirements on public transport and in shops.

- There have been continued policy support and decisions being made throughout the month of November:

    - The FOMC made a unanimous decision to start its taper during the November meeting at a pace of $15B per month. The initial deadline will mean tapering will finish around June 2022.

    - BoE's Monetary Policy Committee also maintained the current Bank Rate at 0.1% and decided to continue with its existing asset purchases program. The committee also referred to a rate hike as 'necessary' over the coming months.

- US Treasury yields initially started to fall at the beginning of the month as markets digested the Federal Reserve's announcement that it will begin tapering sooner rather than later. Bond yields were mainly affected by a hotter-than-expected US print. The fear of a high inflationary environment continued to offset strong economic data reflecting favourable consumer sentiment. These movements finally drove the 10-Year US Treasury bond yield lower to 1.44%.

- In the UK the 10-Year Gilt bond yields also fell, following the Bank of England's unexpectedly dovish decision to keep rates on hold. This effect occurred throughout Europe as Investors similarly cited inflation fears in Europe, the end result being higher bond prices and lower yields. Bond yields were also hit by the increase of COVID-19 cases, potential lockdown scares also helped lower yields for the month.

- November marked the start of the UN Climate Change Conference (COP26). During the start of Covid-19, there was great emphasis placed on environmental issues, and COP26 gave leaders of around 200 countries a platform to discuss and implement significant measures to help limit global warming to less than 1.5°C. It's very much known now that climate risk also translated into investment risk, and with nations now scurrying to reach zero goals as quickly as possible, investors and portfolio managers have started adapting their portfolios and this is clearly evident by the number of inflows that have come into ESG investments over the past 2-years.

How did Factors Perform in November? →

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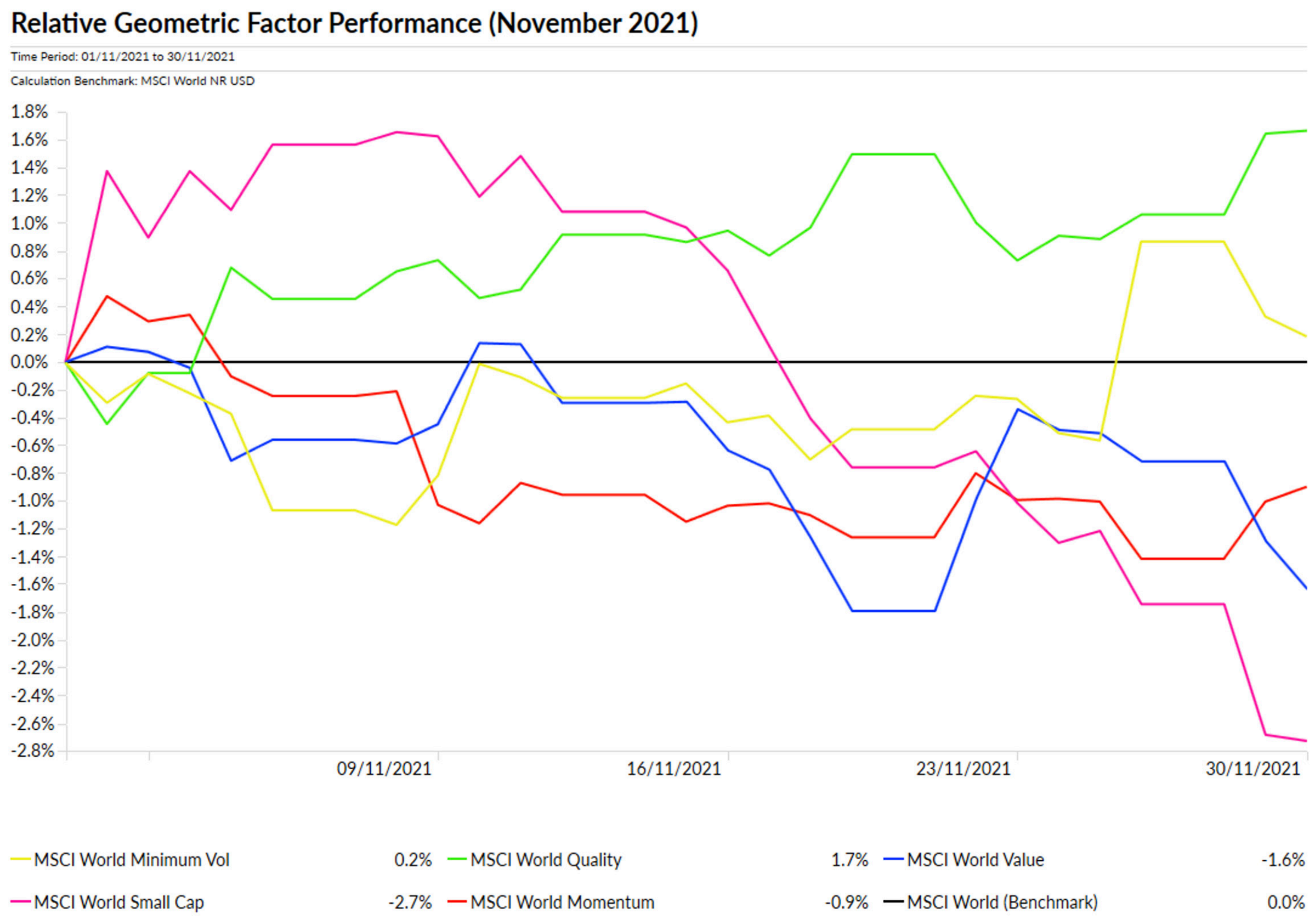

The chart shows the relative Factor performance benchmarked against a global index (MSCI World). Performance data is for each factor index over the course of the month, with the market benchmark being the black line horizontally shown along the x-axis.

- The month of November was the month for defensive factors, with all the market volatility, inflation concerns, and the emergence of the Omicron variant, the other factors took a back-seat view while Quality and Minimum Volatility ran ahead of their fellow factors.

- Omicron and inflation worries have provided the perfect environment for the Quality factor. With the long-term effects of Omicron unknown, investors can be seen to find a sense of peace when investing in Quality stocks as they tend to have characteristics to support many potential challenges the market may face.

- Minimum Volatility was the second-best performing factor of the month. The factor deliberately seeks to curtail upside moves by enhancing support on the downside, and we can see that in November the factor did precisely what it is engineered to do and acted as a safeguard against periods of uncertainty and volatility.

How did Factors Perform in November? (Continued) →

FACTOR PERFORMANCE (%)						
As of 30/11/2021	1-MONTH	3-MONTHS	YTD	1-YEARS	3-YEARS	5-YEARS
MSCI WORLD QUALITY	3.03	3.34	25.00	26.59	79.96	130.20
MSCI WORLD MINIMUM VOL	1.53	0.33	11.57	11.20	24.29	51.43
MSCI WORLD	1.34	3.05	20.70	22.89	54.04	86.78
MSCI WORLD MOMENTUM	0.44	4.40	16.73	18.92	65.26	127.79
MSCI WORLD VALUE	-0.32	1.47	18.22	19.57	22.45	40.51
MSCI WORLD SMALL CAP	-1.42	-0.64	15.33	20.94	42.94	66.88

Source: Morningstar

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