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October 2020

QUARTERLY MARKET RECAP
Q3 2020

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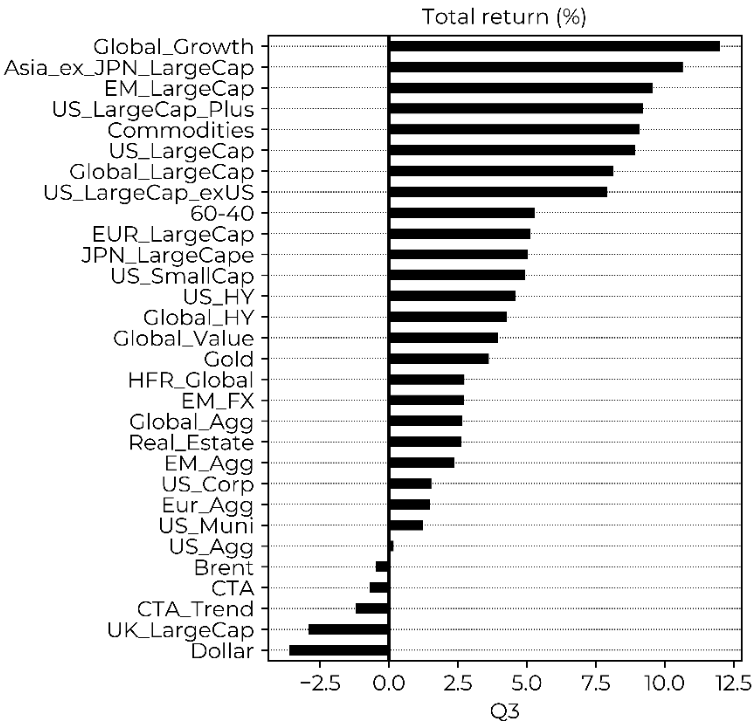
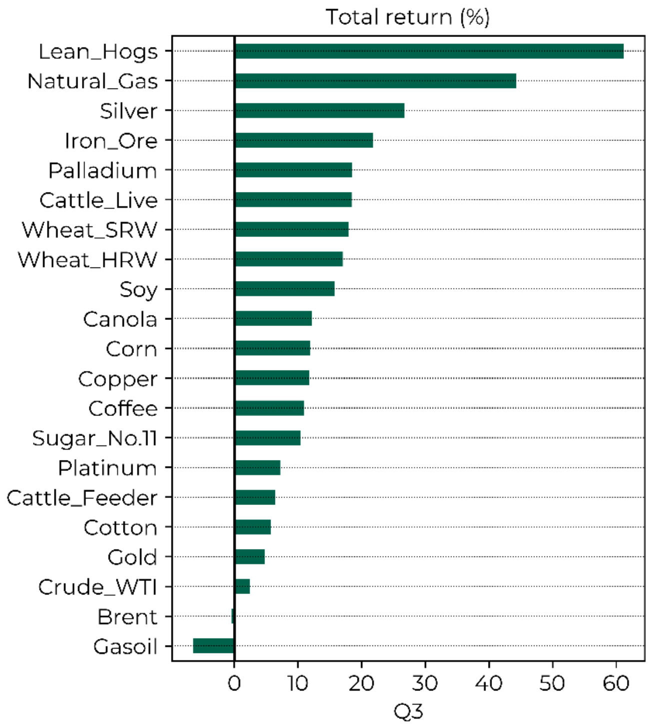
Quarterly market recap
Q3 2020

- Notable dispersion observed in equity performance across regions in Q3, with Asian stock markets outperforming: economic activity in Asia creeping up to levels pre-Covid, while the US, but especially European (and UK – dragged down by Notable dispersion observed in equity performance across regions in Q3, with Asian stock markets outperforming: economic activity in Asia creeping up to levels pre-Covid, while the US, but especially European (and UK – dragged down by its large Oil and Finance constituents) activity dragging owing to rising cases and stricter regulations on movement.
- Global growth stocks fared particularly well, maintaining its strong showing YTD. Global growth is up 18% YTD, compared to Value which is down 14%.
- Global yields moved, for the most part, largely sideways. The US 10-year gained 2.8 basis points, while the German Bund dipped 6.7 basis points.
- Commodities enjoyed a stellar quarter, with most sub-sectors ending in the black. The asset class was aided by dollar weakness. Animal proteins fared particularly well, with the Lean Hogs contract surging over 60%. The majority of contracts ended in positive territory.
- The dollar had a poor quarter, losing 3.6%. The greenback slide has also garnered wide discussion, with traders having become, for the first time since 2018, net bullish on the dollar against major G-10 FX. Meanwhile, emerging market FX performed better.
- Economic data has been mixed, with the Citi Economic Surprise Index – measuring economic prints to their expectations – trending lower since mid-August.
- Implied volatility remains elevated going into Q4, investors weary of uncertainty especially owing to the US Presidential election. The VIX averaged 25 points, but reached a high of nearly 34 points during the first week of September during the global equity sell-off.
- Hedge Funds continued to perform well, ending as one of the top 3 best performing asset classes in Q3 on a risk-adjusted basis – just behind global and US high-yield debt.

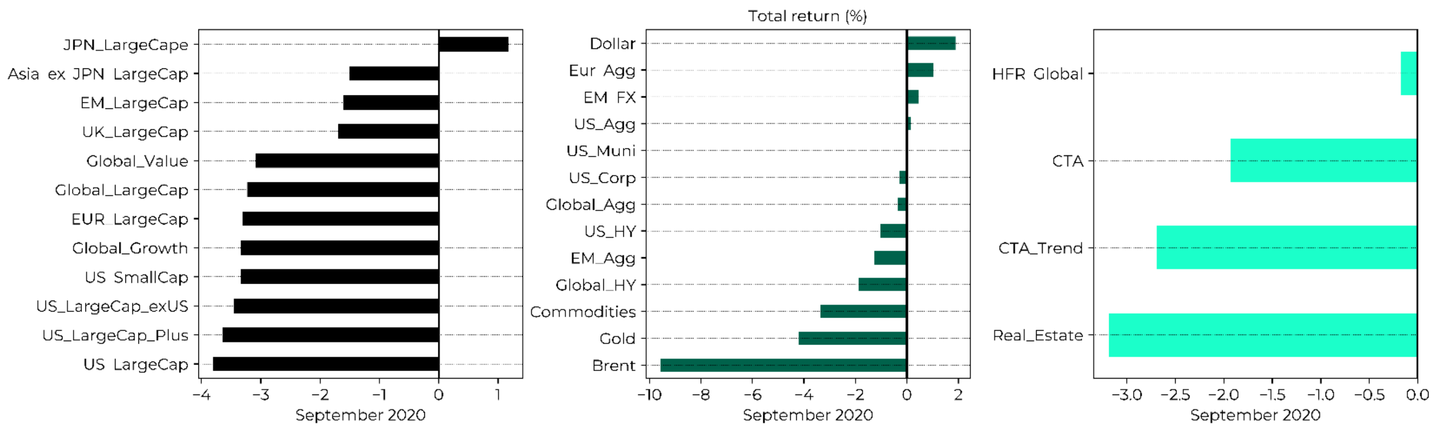




*Source: Bloomberg, CFM**

September 2020

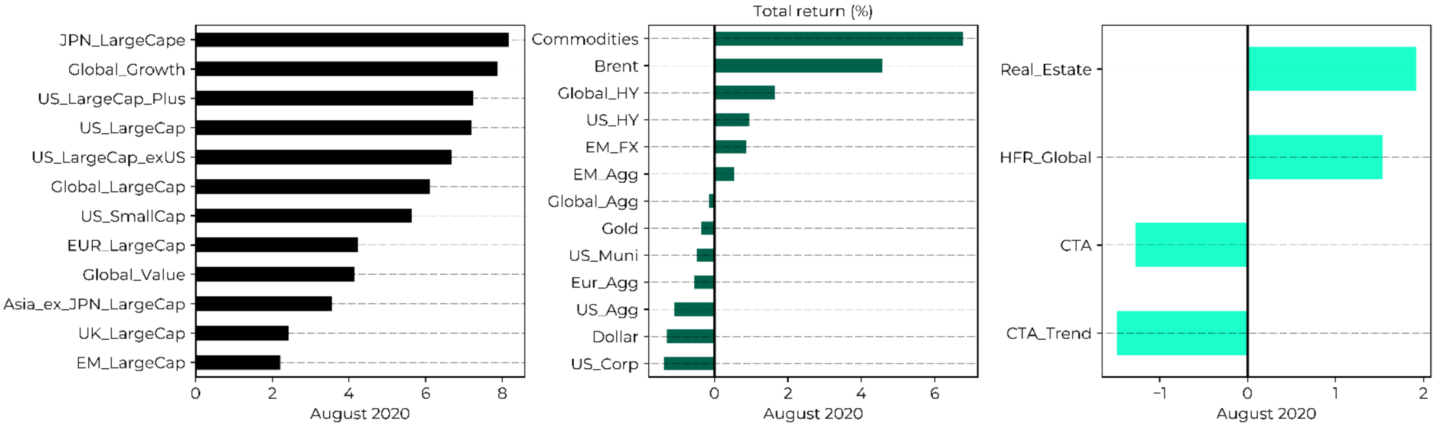
- US Equity markets slumped – the S&P 500 TR Index lost 3.8%. Global large–cap developed equites (excluding the US) fared slightly better, dipping ~ -2.8%. Emerging markets, in large part due to better performance from Taiwanese and South Korean equities, fared better than their developed market counterparts, down only ~ -1.6% over the period.
- The US dollar broke a five-month string of consecutive negative performance, with the DXY Index gaining 1.9% over the month.
- The pickup in the dollar curbed inflation expectations and detracted from US TIPS.
- The US Fed kept its monetary policy rate unchanged at its September meeting, cementing in its press release its intention to maintain its current monetary policy position until “inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time”.
- Implied volatility remained elevated compared to historical levels, with a distinct concave-shaped VIX curve having developed as markets are expecting high uncertainty and higher volatility around the US election during the first weeks of November.



Source: Bloomberg, CFM

August 2020

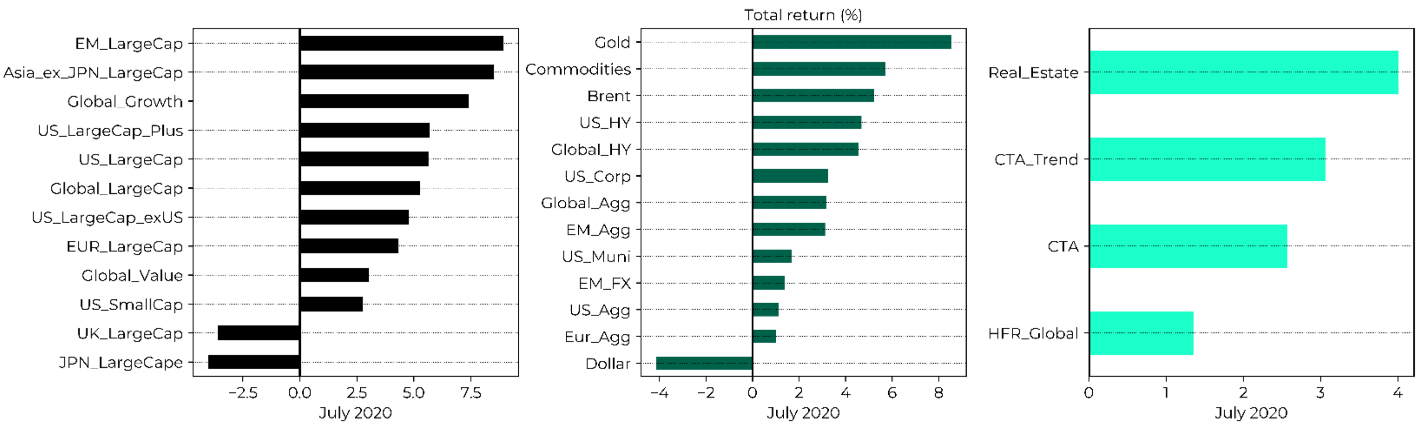
- US Equity markets rallied to record highs. The S&P 500 TR Index gained 7.2% over the month and broke past its pre-COVID-19 sell-off level. Global large–cap developed equites followed suit, gaining ~6.1%, while emerging markets lagged, but still closing higher: up ~2.2%.
- The US Fed committed to keeping interest rates close to zero for an extended period of time, having announced a new average inflation target policy that paves the way for inflation to breach the Fed’s inflation mandate.
- The greenback lost 1.3% over the month.
- Commodities continued to benefit from massive stimulus (and a falling dollar). Price of gold, copper, and energy rose sharply. Gold, especially, reached above $2,000 per troy ounce during the first week of the month, going on to set a record high of $2,063 on August 6 before lowering towards month-end.
- A broad equity rally, along with rising inflation expectations (5Y-5Y inflation swaps tipped over 2% towards the end of the month) saw most global bond yields tick higher.
- Volatility on most asset classes remained above long-term historical levels, but moved mostly sideways.



Source: Bloomberg, CFM

July 2020

- US, and especially emerging market equities made good gains, while UK and Japanese stocks ended worse than flat. Throughout the month, positive news on COVID-19 vaccine trials that trickled in acted as support for global equities, while political uncertainty (especially in the US), and a resurgence in coronavirus cases in Europe (mostly Spain), acted as a drag.
- Nevertheless, the Nasdaq closed at a record high on July 20, reaching just shy of the 11,000 point mark, as technology stocks, notably in the US, continued to outperform.
- The dollar tumbled, losing 4.2% against a basket of currencies, marking the currency's biggest monthly decline since September 2010.
- The rally in Gold continued, the metal gaining nearly 11%. Equally as striking was Gold's precious metal cousin, Silver, which enjoyed its strongest month in more than four decades, gaining 34.0%.
- However, rising Sino-US tensions towards the end of the month, including a tit-for-tat closure of consulates, rattled global stock markets with the S&P closing down 1.23% on July 23, with another negative session on the following day.
- EU member nations struck a deal on a €1.8 trillion economy recovery package – including the issuance of common debt on July 21, acting as a boon for the single currency.



*Source: Bloomberg, CFM**

** Data is from Bloomberg, with returns calculated using – where available – the daily total returns of the respective indices. Commodity returns are calculated using daily returns of the generic front contract.*

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