N° 584
16 November
2020

BONHÔTE
BANQUIERS DEPUIS 1815

FLASH BOURSIER

NEWS OF IMMINENT VACCINE GIVES MARKETS A SHOT IN THE ARM

Highlights:

Pfizer announces vaccine breakthrough

Historic trade agreement signed in Asia-Pacific

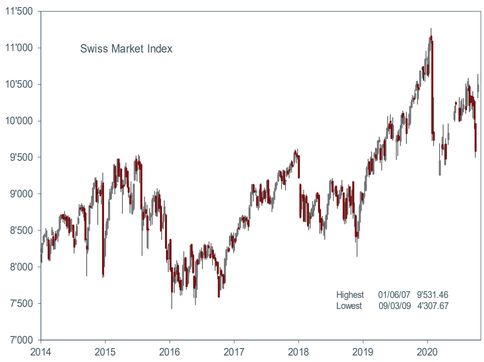
Overview

The positive news announced by US pharmaceutical giant Pfizer, in collaboration with Germany's BioNtech, last week gave a glimmer of hope and served as a catalyst for appreciation in stock markets. The preliminary trials of the vaccine, involving a cohort of 43,500 volunteers, demonstrated 90% protective efficacy against Covid-19. Some 50 million doses could be available by the end of the year. Several other vaccines are also in phrase-three trials, for example at Johnson & Johnson and Astra Zeneca, which is also encouraging. Over the past week, vaccine news has triggered a sharp bounce in tourism-related sectors, financial stocks and cyclicals. There is hope – even if, in the short term, new infection cases may dampen economic growth, with France and Italy particularly badly affected and the US seeing a peak in hospitalisations, which have shot up by 40% over the past two weeks.

The aftermath of the US election, now clearly won by Joe Biden, raises the prospect of a divided government and thus a continuation of business-friendly policies. So things could hardly be better for equities. In Congress, the Republicans will probably retain their Senate majority, even if everything is not yet decided in Georgia, with two positions outstanding. The upshot is therefore a clearer outlook on the political front. In addition, important announcements on monetary measures are also expected from the Federal Reserve.

Optimism prevails among investors as we kick off a new week. Although the coronavirus is still raging in many parts of the world, business and commerce have remained relatively free of shackles, with local services such as restaurants, bars, sports halls and some shops shut down but companies continuing more or less as before.

The historic trade agreement between 15 Asia-Pacific countries, including China, Japan, South Korea and Australia, has pleased investors. This area represents about 30% of the world economy and 2.2 billion consumers. Officially called the Regional Comprehensive Economic Partnership, this deal will add an estimated 0.2% GDP growth to members' economies and, by extension, boost the world economy. In addition, the robust economic recovery in China and Japan is strengthening confidence. Japan exited its recession in the third quarter, reporting GDP growth of 5% relative to the prior quarter compared with the 4.4% expected. Though the economy is still performing well below pre-Covid levels, the news is still encouraging. Chinese manufacturing output expanded by 6.9% year-on-year in October and retail sales by 4.3%. Business investment rose by 1.8% over the first ten months of 2020.



Resistance at 10600 points was flirted with but held fast. Momentum still seems strong enough to try again this week. We are maintaining this short-term objective with 10950 points our next focal point.

Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI EMERGING MARKETS
Latest	0.91	1.08	10'492.61	3'432.07	13'076.72	5'380.16	5'935.98	3'585.15	11'829.29	25'385.87	1'188.35
Trend	→	→	↑	↑	↑	↑	→	↑	↑	↑	↑
%YTD	-5.58%	-0.46%	-1.17%	-8.36%	-1.30%	-10.00%	-21.30%	10.97%	31.84%	7.31%	6.61%

(Daten vom Freitag vor der Publikation)

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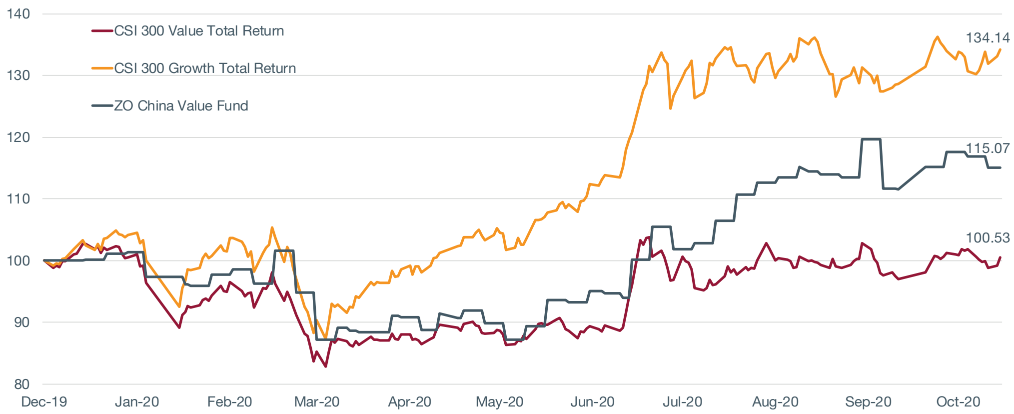
TIME TO ADD 'VALUE' TO CHINESE EQUITY ALLOCATIONS

Growth vs Value vs ZO China Value Fund



The latest statistics indicate that Chinese economic activity is back on track. Whether in terms of domestic growth or exports, China seems to have completely got over the pandemic.

To date, it is mainly growth stocks that have fuelled market growth. However, with the economy returning to normal, signs of a readjustment between 'growth' and 'value' styles, favouring the latter, are becoming more visible. Here's why:

1. Brighter economic conditions
China's GDP grew by 4.9% year-on-year at the end of the third quarter, thanks in particular to a strong recovery in value-oriented sectors such as manufacturing and automotive. These industries are benefiting from both strong domestic demand and improved production capacity.

2. Growth in domestic consumption
Given the modest economic improvement in recent months, Chinese households – especially the swelling middle class – are again directing spending towards sectors in the domestic economy such as education, leisure and food.

3. Government policies
The Chinese government is implementing several measures to give consumer spending and investment a more domestic tilt. And it is working to advance the value chain in sectors such as healthcare, education and insurance.

These long-run shifts towards a more domestic-centric economy are set to benefit value-oriented portfolios such as the Convergence ZO China Value Fund.

Authors:

Julien Stähli,
Head of discretionary management,
MBF Boston University

Jean-Paul Jeckelmann,
CIO, CFA

Françoise Mensi,
Ph.D in Economics

Pierre-François Donzé,
M. Sc. in Economics

Valentin Girard,
CFA, MScF Université de Neuchâtel

Karine Patron,
MScF Université de Neuchâtel

Contact:

Banque Bonhôte & Cie SA
2, quai Ostervald
2001 Neuchâtel / Switzerland

T. +41 32 722 10 00
contact@bonhote.ch
www.bonhote.ch

facebook.com/banquebonhote
linkedin.com/company/banque-bonh-te-&-cie-sa
twitter.com/alexnvincent
instagram.com/banquebonhote
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