

Milford Market and Economic Review

December 2020



November was a remarkable month for financial markets. The passing of two significant catalysts – the US election and evidence of effective COVID-19 vaccines, answered key questions for investors and set the stage for large share market rallies. Accordingly, Fund returns in November are broadly strong.

The US election is largely resolved with a Biden victory, coupled with a likely Republican retention of the Senate (pending two run-off races in Georgia on the 5th Jan). This outcome should deliver reasonable fiscal support policies (e.g. wage subsidies) but importantly, less likelihood of market unfriendly tax policies and increased business regulation.

The multiple phase III vaccine trial results released in the month indicate success in finding an effective COVID-19 vaccine. This encouraging news allows investors to focus on a timeline for the global economy to return to normal, breaking the link between virus cases and economic activity.

The reduction in uncertainty has emboldened investors to buy shares, sending global sharemarkets up over 12% in the month (MSCI world) – the largest monthly performance in over 40 years. Local sharemarkets also fared well, particularly Australia – up 10.2% and NZ, up 5.7%. Our funds have been fully invested (holding minimal cash balances), helping capture these large upside moves in the month.

Contemplating a post-COVID world has seen investors consider what type of companies might perform well during the economic recovery. The funds have been adding to ‘reopening’ stocks for a while and stocks like Kering (global luxury brands company), Safran and Transdigm (aeroplane parts manufacturers) and the Australian banks (particularly NAB) all performed well for our funds last month.

Looking ahead, a vaccine enabled recovery is a story for the second half of 2021. Virus impacted economies such as Europe and the US should experience a significant activity boom, driven by pent up demand. However, the short-term picture is less rosy. Rising virus cases have curtailed economic growth in Europe and the US recovery is also at risk. The vaccine allows us to look through these issues, but we look for further fiscal support as well as progress on a global mass vaccination plan to further support investor confidence.



MILFORD
INVESTED IN YOU

Milford Asset Management

Level 28, 48 Shortland Street, Auckland, 1010
Phone: 0800 662 345
Email: Info@milfordasset.com
milfordasset.com