

# Market Review

# December 2020

# Highlights :

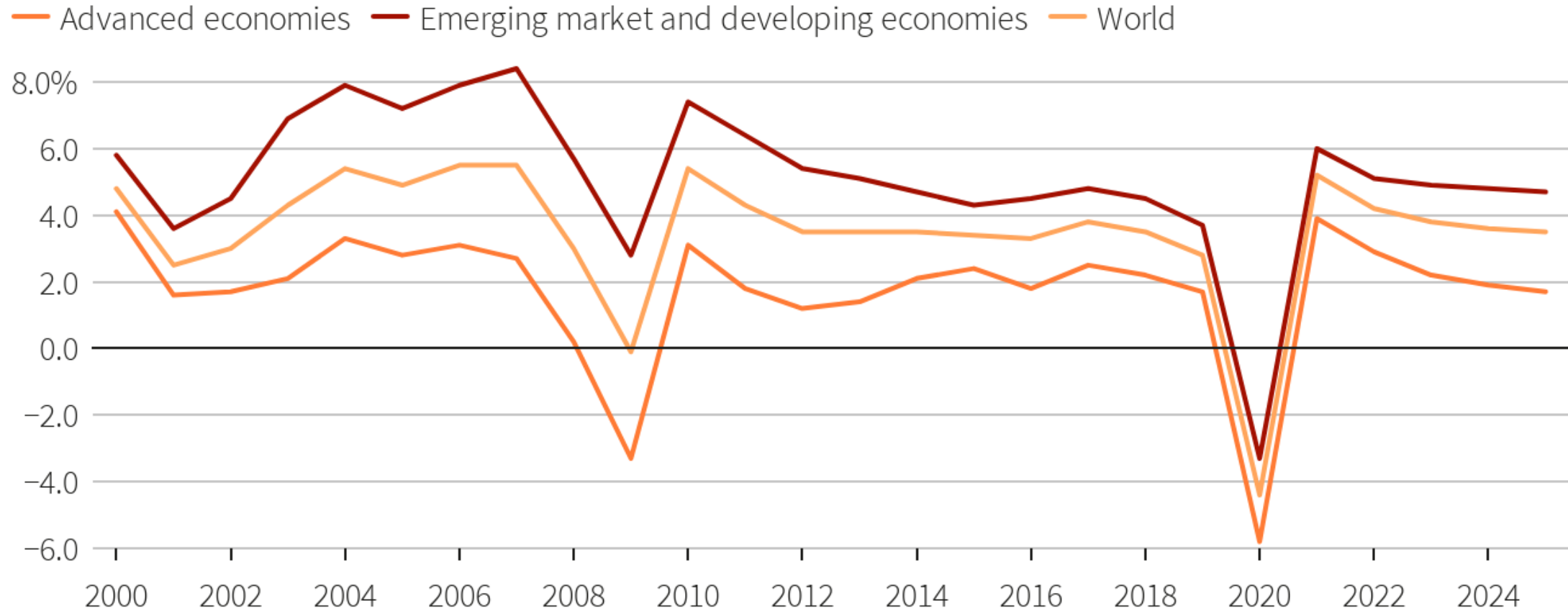
- The major indexes hit record highs : despite all the turmoil brought on by the coronavirus pandemic, U.S. stocks closed out 2020 in record highs. The S&P 500 post a 16% annual return, while that was below the 29% advance in 2019, it marked a remarkable 68% recovery from the equity benchmark's March 23 nadir. The Dow Jones Industrial Average also finished the year with a record high +7%.
- Technology stocks dominated the market in 2020 as the pandemic helped boost the sector. The Nasdaq 100 Total Return Index climbed 49% for the year, with 33 companies posting total returns -- including reinvested dividends -- of 50% or more. This was the most since 2013, when 34 companies achieved the milestone.
- Among the biggest developments in the markets in 2020, has been the dramatic drop in the USD.
- President Donald Trump signed into law a \$2.3 trillion pandemic aid and spending package.
- Oil prices recovered on hopes that stimulus and reopening of economies next year will spur fuel demand.
- Reflecting vaccine optimism, the University of Michigan's preliminary gauge of consumer sentiment in December surprised observers by reversing most of November's decline and marking its second-highest level since the onset of the pandemic.
- The U.S. Treasuries market took investors on a bumpy ride in 2020, with yields plunging to historic lows in the early part of the year before a partial grind back in the second half.

# Central banks actions :

- At the December 15–16 meeting, **the Federal Open Market Committee (FOMC)** held its policy rate steady, as expected, and elected to maintain the current composition of its bond purchases, disappointing some investors who had hoped for an increase in the Fed’s buying of long-term bonds. In an adjustment from its prior statement, the FOMC said that it will continue buying Treasuries and agency mortgage-backed securities at its current pace “until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.”
- The **European Central Bank** lifted a ban on European banks paying dividends but capped payouts and share repurchases at a combined 15% of an institution’s 2019 and 2020 profits or 0.2% of a lender’s key capital ratio, whichever is lower.
- **The Bank of England (BoE)** lifted a ban on payouts, urging banks to limit their dividends to 25% of their cumulative profits in 2019 and 2020 or 0.2% of the value of their riskiest assets, whichever is highest. The BoE held interest rates at 0.1% and kept the target for its asset purchase program unchanged, as expected. Policymakers reiterated that they did not intend to tighten monetary policy until there is evidence that “significant progress” is being made in achieving the 2% inflation target.
- **The Swiss National Bank (SNB)** kept its key policy rate unchanged at 0.75%.
- **Norges**, Norway’s central bank, left its main rate at 0% but signaled that an expected improvement in the economy next year could support a rate increase in mid-2022.

# The global coronavirus recession

COVID-19 brought the global economy to a halt in 2020, but the IMF sees a swift rebound

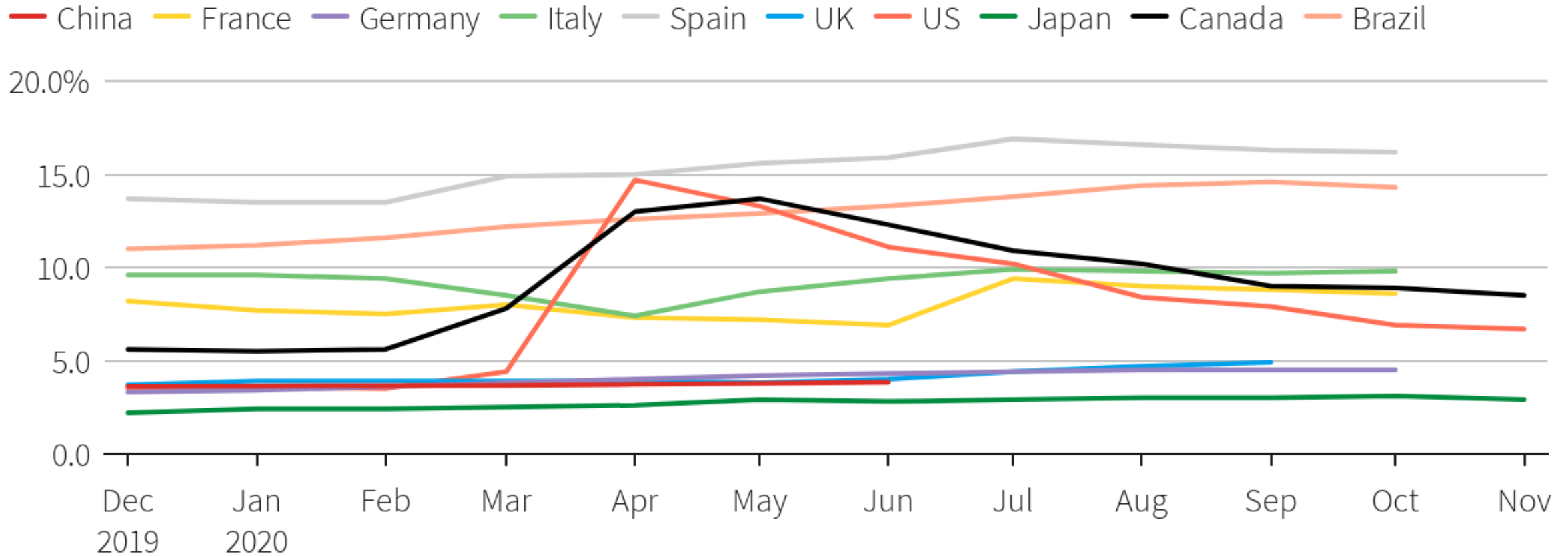


Note: Data for 2020 and beyond are estimates

Source: International Monetary Fund World Economic Outlook

# Global unemployment in the pandemic

Unemployment rates rose in most countries after the COVID-19 outbreak. It may take a year or more for jobless rates to return to pre-pandemic levels in many countries.



Note: End point of each line is that country's most recent reported unemployment rate

Source: Refinitiv DataStream

# UK / Europe:

- The UK and the EU finally agreed on a post-Brexit trade deal, on Christmas Eve, just a week before the UK is due to leave the EU's trade rules. The agreement's terms will represent a significant change in the relationship with the UK's major trading partner. The Office for Budget Responsibility forecast that Brexit will cost the UK 4% of its gross domestic product (GDP) over 15 years.
- The UK's official statistics agency's revised estimate of third-quarter GDP, showed the economy shrinking by 8.6% from where it was at the end of 2019—an improvement from the earlier estimate of a 9.7%. However, economists expect the recession to deepen due to the renewed lockdowns implemented in the fourth quarter.
- House prices rose by 0.8% in December, alone, barely slowing from the 0.9% recorded in November, and were 7.3% higher than the previous year.
- The UK became the first country to approve the use of the vaccine developed by AstraZeneca and Oxford University.
- In Germany, business confidence rose unexpectedly in December 2020, according to the Ifo Institute, although economists warned not to read too much into the uptick because an extension of lockdown restrictions beyond the January 10 deadline could cause a further economic contraction in the first three months of 2021.

# Asia :

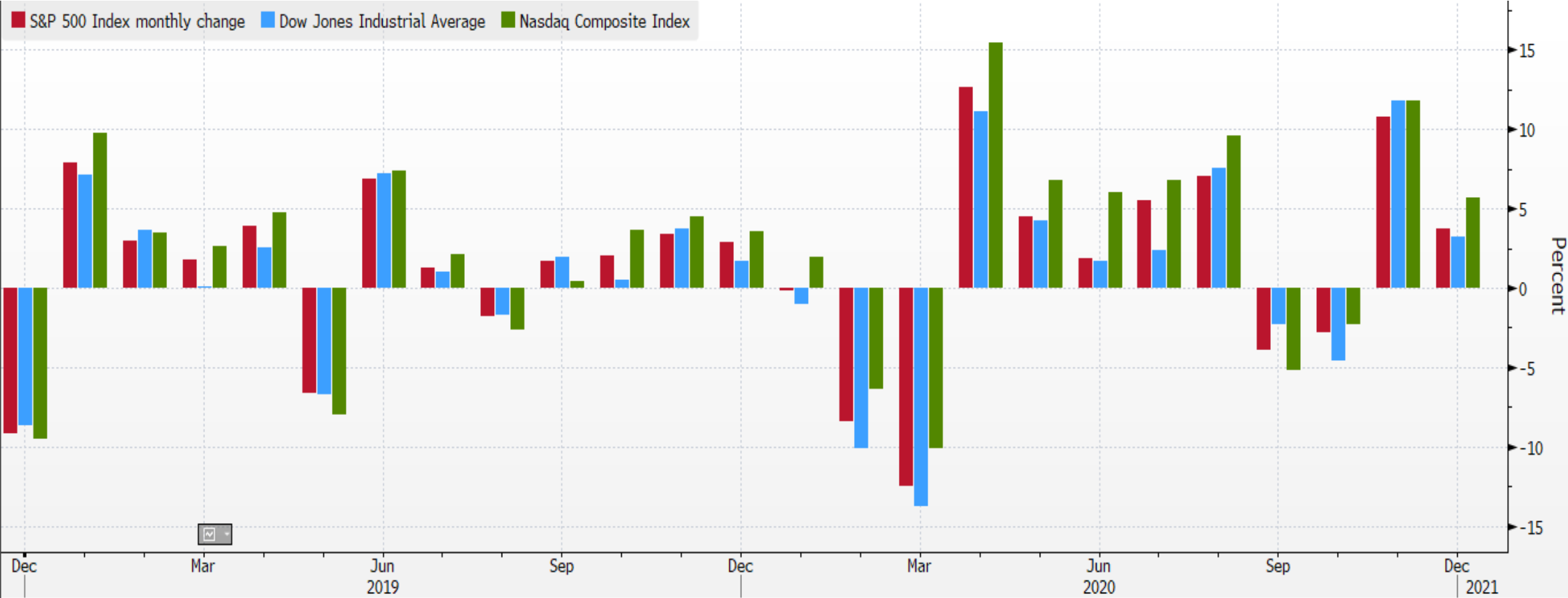
- As expected, the Bank of Japan (BoJ) made no changes to its monetary policy stance at the December meeting. However, it did extend the corporate finance support measures through to September 2021 and announced a review of its monetary policy with the results expected in March 2021. The BoJ's communication indicates that it will not change the current policy framework, including the policy rate and yield curve control, and, therefore, the focus is likely to be on the sustainability of monetary policy.
- The EU and China agreed on an investment treaty after seven years of talks. EU Trade Commissioner Valdis Dombrovskis said the EU would gain improved access to the Chinese market for automotive, private health care, cloud computing, and air transport services industries, among others. The EU would also receive similar benefits in the insurance and asset management industries to the ones secured by the U.S. in its "Phase 1" trade deal with China. The two sides have yet to ratify the treaty. The EU hopes it will come into effect in 2022.

# MSCI World Index :





# US INDICES MONTHLY RETURN :



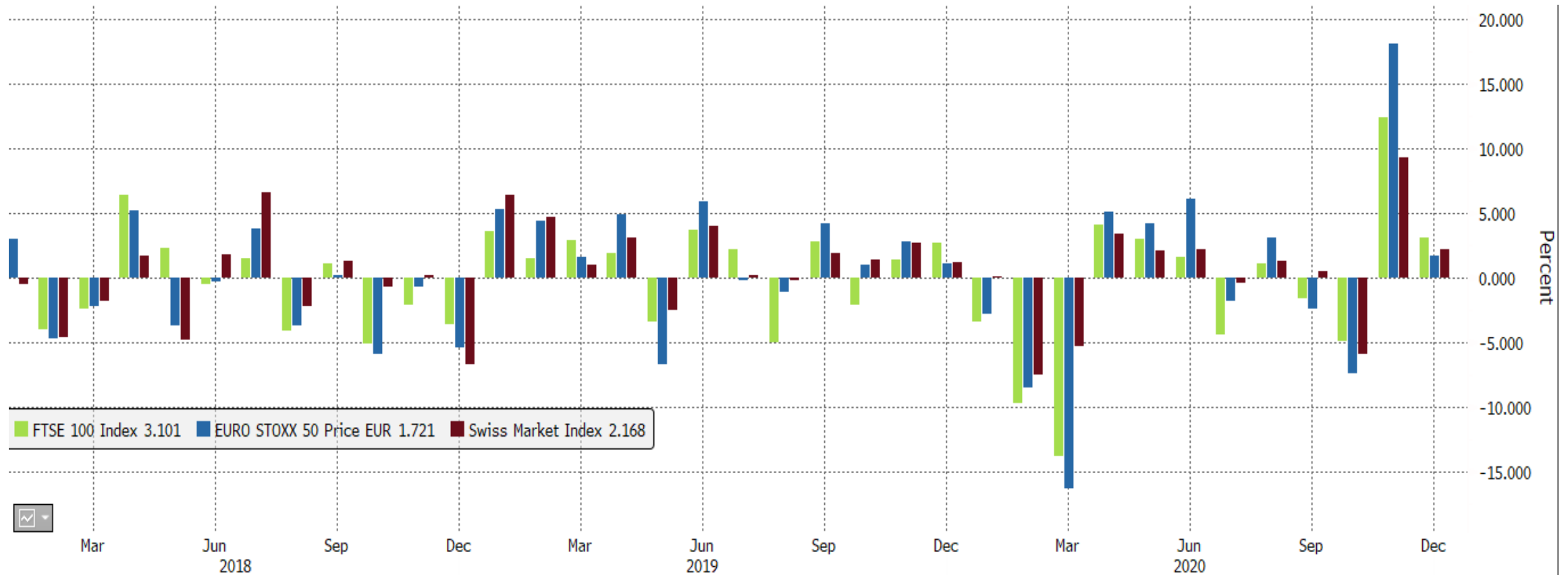
Source: Bloomberg

## Commodities :

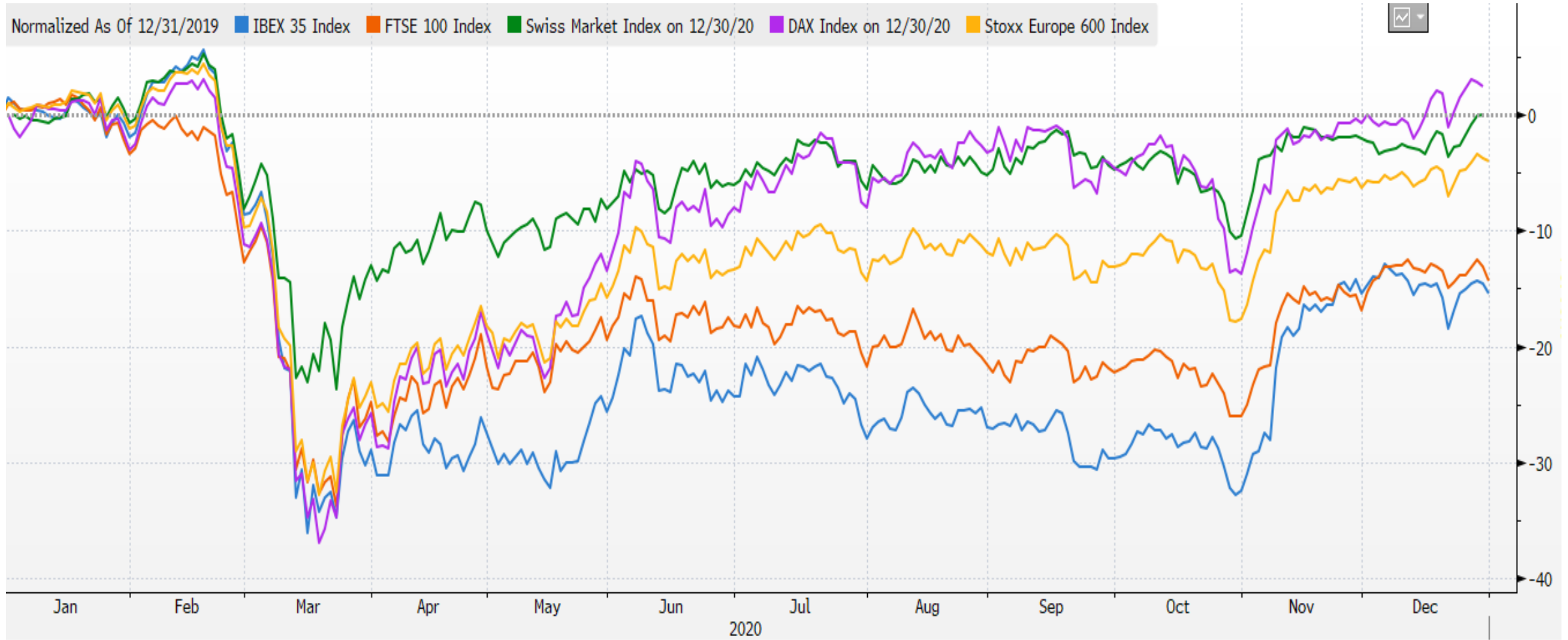
- Global crude oil markets suffered in 2020 as strict coronavirus lockdowns paralyzed economic activity and travel, but prices have rebounded strongly from their lows as governments rolled out stimulus.
- Gold has risen over 24% this year, its best showing since 2010 as investors looked to safe havens.



# EURO INDICES MONTHLY RETURN :



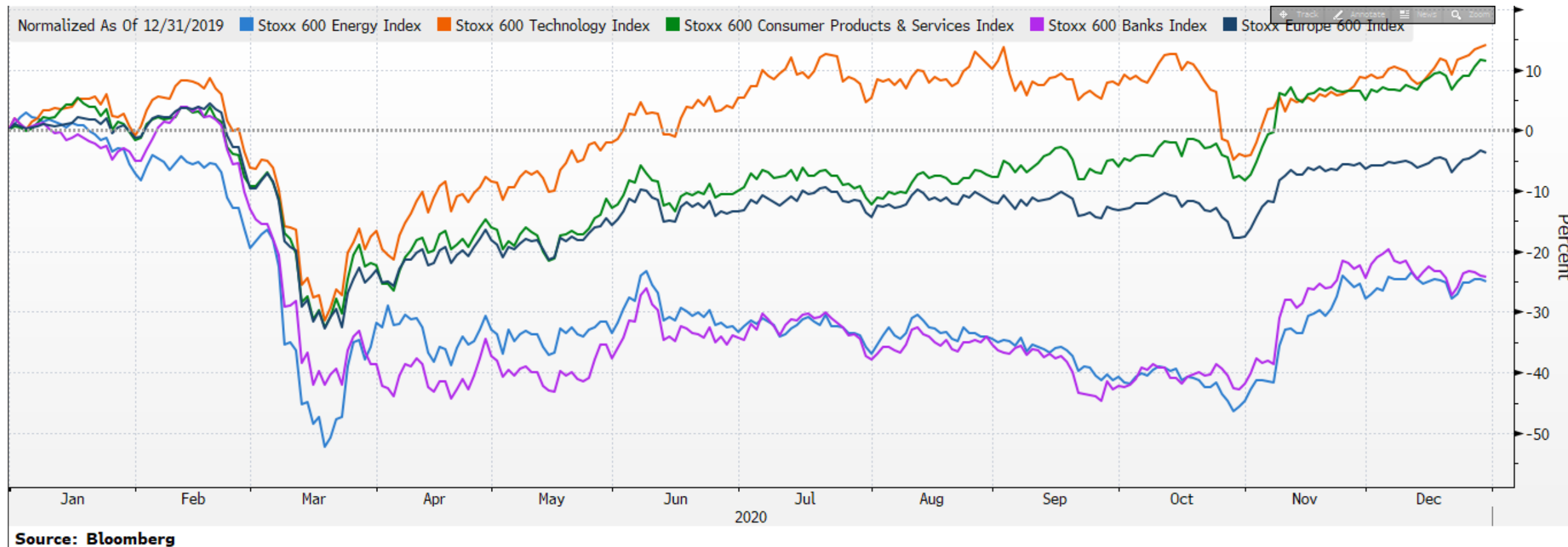
Source: Bloomberg



Source: Bloomberg

In 2020 Spanish stocks were the worst performers among European markets

Growth sectors such as technology and consumer stocks rose to the top of the benchmark **Stoxx Europe 600 Index**, while value shares such as banks and energy firms experienced the worst.



# This month :

EQUITIES	31/12/2020	30/11/2020	VARIATION
<b>USA</b>			
DOW JONES INDUS. AVG	30606.48	29638.64	3.27%
S&P 500 INDEX	3756.07	3621.63	3.71%
NASDAQ COMPOSITE	12888.28	12198.74	5.65%
<b>EUROPE</b>			
Euro Stoxx 50 Pr	3552.64	3492.54	1.72%
FTSE 100 INDEX	6460.52	6266.19	3.10%
CAC 40 INDEX	5551.41	5518.55	0.60%
DAX INDEX	13718.78	13291.16	3.22%
SWISS MARKET INDEX	10703.51	10476.43	2.17%
<b>ISRAEL/ ASIA</b>			
TA-35 Index	1500.07	1462.05	2.60%
NIKKEI 225	27444.17	26433.62	3.82%
VIX Index	22.75	20.57	10.60%
MSCI WORLD	2690.04	2583.14	4.14%

FX / COMMODITIES	31/12/2020	30/11/2020	VARIATION
EUR/USD	1.230	1.193	3.11%
USD/ILS	3.217	3.307	-2.73%
EUR/ILS	3.953	3.945	0.21%
GBP/USD	1.363	1.332	2.27%
USD/JPY	103.190	104.310	-1.07%
GBP/ILS	4.391	4.407	-0.36%
USD/CHF	0.881	0.909	-3.04%
WTI CRUDE	48.52	45.51	6.61%
GOLD SPOT	1894.39	1776.95	6.61%

CENTRAL BANK RATES	31/12/2020	30/11/2020	VARIATION
Fed funds Target Rate	0.25	0.25	0.00
ECB Main Refinancing Operatio	0.00	0.00	0.00
UK Bank of England Rate	0.10	0.10	0.00
Bank of Israel Base Rate	0.10	0.10	0.00
Switzerland National Bank Libo	-0.75	-0.75	0.00

# Fixed Income:

CORP SPREADS	31/12/2020	30/11/2020	Variation BP	31/12/2020	30/11/2020
<b>US TSY 2Y</b>	<b>0.122</b>	<b>0.149</b>	<b>-2.700</b>		
BVAL AA Curve 2 Yr	0.247	0.287	-4	12.50	13.80
BVAL A Curve 2 Yr	0.32	0.36	-4	19.80	21.10
BVAL BBB Curve 2 Yr	0.559	0.643	-8.4	43.70	49.40
BVAL BB Curve 2Y	<b>HY</b> 1.83	2.07	-24	170.80	192.10
<b>US TSY 5Y</b>	<b>0.362</b>	<b>0.362</b>	<b>0.000</b>		
BVAL AA Curve 5 Yr	0.643	0.681	-3.8	28.10	31.90
BVAL A Curve 5 Yr	0.775	0.813	-3.8	41.30	45.10
BVAL BBB Curve 5 Yr	1.043	1.131	-8.8	68.10	76.90
BVAL BB Curve 5Y	<b>HY</b> 2.966	3.155	-18.9	260.40	279.30
<b>US TSY 10Y</b>	<b>0.916</b>	<b>0.841</b>	<b>7.500</b>		
BVAL AA Curve 10 Yr	1.44	1.463	-2.3	52.40	62.20
BVAL A Curve 10 Yr	1.623	1.616	0.7	70.70	77.50
BVAL BBB Curve 10 Yr	1.997	2.025	-2.8	108.10	118.40
BVAL BB Curve 10Y	<b>HY</b> 4.071	4.257	-18.6	315.50	341.60

BONDS	31/12/2020	30/11/2020	VARIATION bp
US TSY 2Y	0.12	0.15	-2.70
US TSY 10Y	0.92	0.84	7.50
UK TSY 10Y	0.19	0.30	-11.15
Euro Generic Govt Bond 2 Year	-0.70	-0.74	4.30
Euro Generic Govt Bond 10 Year	-0.57	-0.57	0.20
Switzerland Govt Bonds 2 Year	-0.84	-0.81	-2.90
Switzerland Govt Bonds 10 Year	-0.58	-0.55	-3.30
JAPAN (2 YEAR ISSUE)	-0.13	-0.13	-0.40
JAPAN (10 YEAR ISSUE)	0.02	0.03	-1.00

# 2020 performances ( YTD ) :

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GBP/ILS	4.381	4.581	-4.37%
USD/CHF	0.881	0.967	-8.82%
WTI CRUDE	48.52	57.29	-15.31%
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Bank of Israel Base Rate	0.10	0.25	-0.15
Switzerland National Bank Libo	-0.75	-0.75	0.00



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<b>US TSY 2Y</b>		<b>0.122</b>	<b>1.571</b>	<b>-1.449</b>		
BVAL AA Curve 2 Yr		0.247	1.738	-1.491	12.50	16.70
BVAL A Curve 2 Yr		0.32	1.859	-1.539	19.80	28.80
BVAL BBB Curve 2 Yr		0.559	2.16	-1.601	43.70	58.90
BVAL BB Curve 2Y	<b>HY</b>	1.83	2.788	-0.958	170.80	121.70
<b>US TSY 5Y</b>		<b>0.362</b>	<b>1.692</b>	<b>-1.330</b>		
BVAL AA Curve 5 Yr		0.643	1.999	-1.356	28.10	30.70
BVAL A Curve 5 Yr		0.775	2.146	-1.371	41.30	45.40
BVAL BBB Curve 5 Yr		1.043	2.531	-1.488	68.10	83.90
BVAL BB Curve 5Y	<b>HY</b>	2.966	3.536	-0.570	260.40	184.40
<b>US TSY 10Y</b>		<b>0.916</b>	<b>1.919</b>	<b>-1.003</b>		
BVAL AA Curve 10 Yr		1.44	2.483	-1.043	52.40	56.40
BVAL A Curve 10 Yr		1.623	2.67	-1.047	70.70	75.10
BVAL BBB Curve 10 Yr		1.997	3.173	-1.176	108.10	125.40
BVAL BB Curve 10Y	<b>HY</b>	4.071	4.684	-0.613	315.50	276.50

BONDS	31/12/2020	31/12/2019	VARIATION bp
US TSY 2Y	0.12	1.57	-145
US TSY 10Y	0.92	1.92	-100
UK TSY 10Y	0.19	0.82	-63
Euro Generic Govt Bond 2 Year	-0.70	-0.60	-10
Euro Generic Govt Bond 10 Yea	-0.57	-0.19	-38
Switzerland Govt Bonds 2 Year	-0.84	-0.73	-11
Switzerland Govt Bonds 10 Yea	-0.58	-0.47	-11
JAPAN (2 YEAR ISSUE)	-0.13	-0.13	0
JAPAN (10 YEAR ISSUE)	0.02	-0.01	3

# Sectors Ytd 2020

