

CHARTBOOK

Market Comment

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WEALTH MANAGEMENT

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Market Comment

"I've lived through some terrible things, some of which actually happened."

- Attributed to Mark Twain

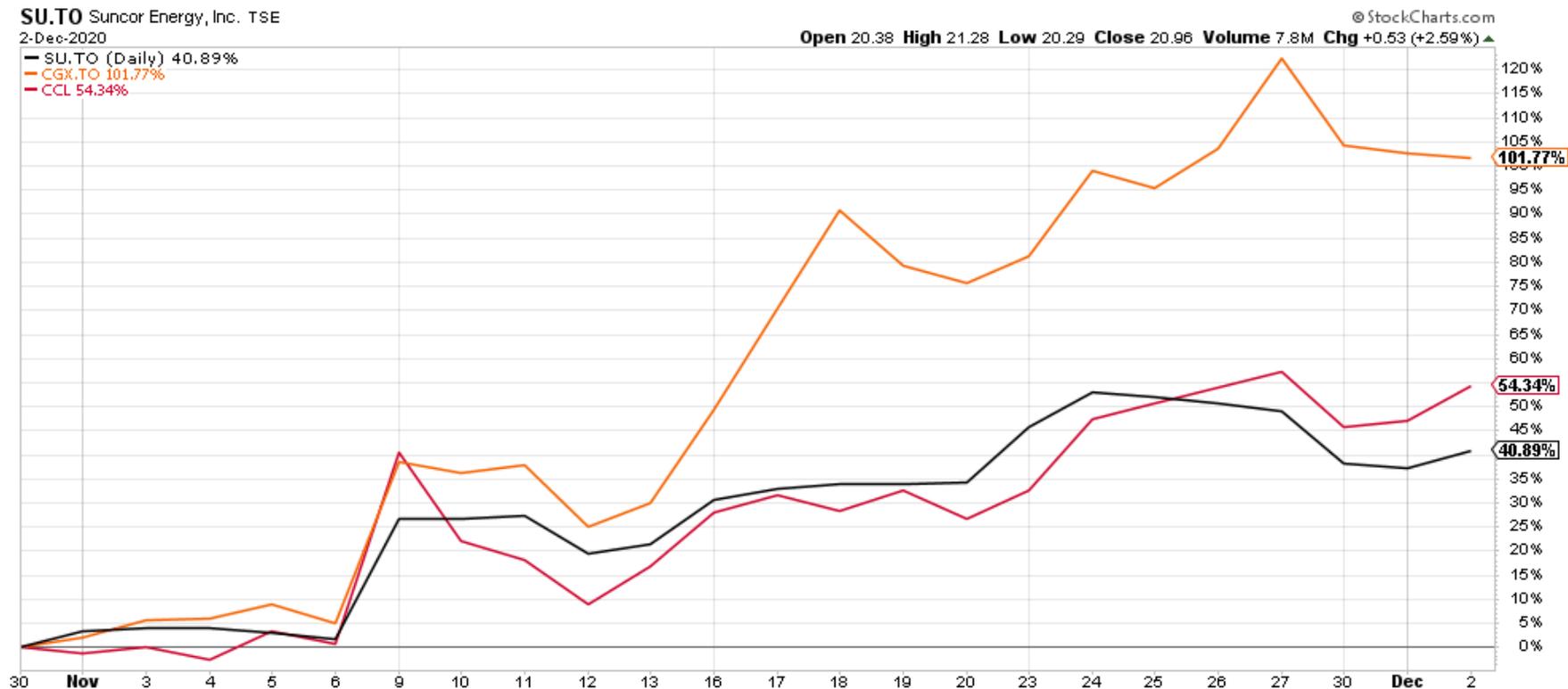
After some volatility in the weeks leading up to the US election in early November, fears of a negative shock to markets didn't materialize. In fact, the opposite occurred, with markets having one of their best months in some time, the S&P500 was up 10.8% and the TSX 10.3%. Remember: volatility is a good thing when it is to the upside.

Along with the US election, a major factor affecting the markets in November was news of the progress toward a vaccine. Pfizer and Moderna both announced that their vaccines would be submitted to federal regulators for approval for public use. On Wednesday, officials in the United Kingdom authorized the Pfizer vaccine for emergency use.

"It's fantastic," British Prime Minister Boris Johnson said. "The vaccine will begin to be made available across the U.K. from next week. It's the protection of vaccines that will ultimately allow us to reclaim our lives and get the economy moving again."



Strong Stocks in November



Stock markets appear to be looking to a post-COVID world, as stocks that fueled the market rally in November were generally not the same ones that had performed well earlier in the year. The chart above is a quick sample of “re-opening” stocks that will benefit from a post-vaccine return to normal: Suncor Energy (oil and gas, drivers returning to the road), Cineplex (people going back to the movies) and Carnival Cruise Lines (travel). Cineplex was the best of these in November, up 101%!

Strong Stocks in November (cont.)



Looking at the same three stocks over the full year-to-date, all three still show big losses despite their huge returns in November. The worst of the bunch is Cineplex, still down 69% as of the end of November. When capital rotates out of certain stocks or assets, pushing their prices lower, and flows into others, pushing prices higher, it is called “rotation”. In recent weeks we are seeing rotation out of popular technology stocks like Apple, Amazon, Facebook, and into previously out of favor areas as above.

S&P500 Seasonality

S&P 500's Average Performance from 1950 to 2019



Source: Ally Invest, Standard & Poor's

The chart to the left shows the average performance of the S&P500 from 1950-2019. The red arrow approximates the end of November.

Historically, December is a strong month for the stock market, sometimes referred to as the "Santa Claus Rally."

You can see by the slope of the line that the first few months of the year and the last 2 months of the year tend to be strong, while September and October have poorer historical performance. There are no guarantees, but this is one factor that is on our side for the next several months.

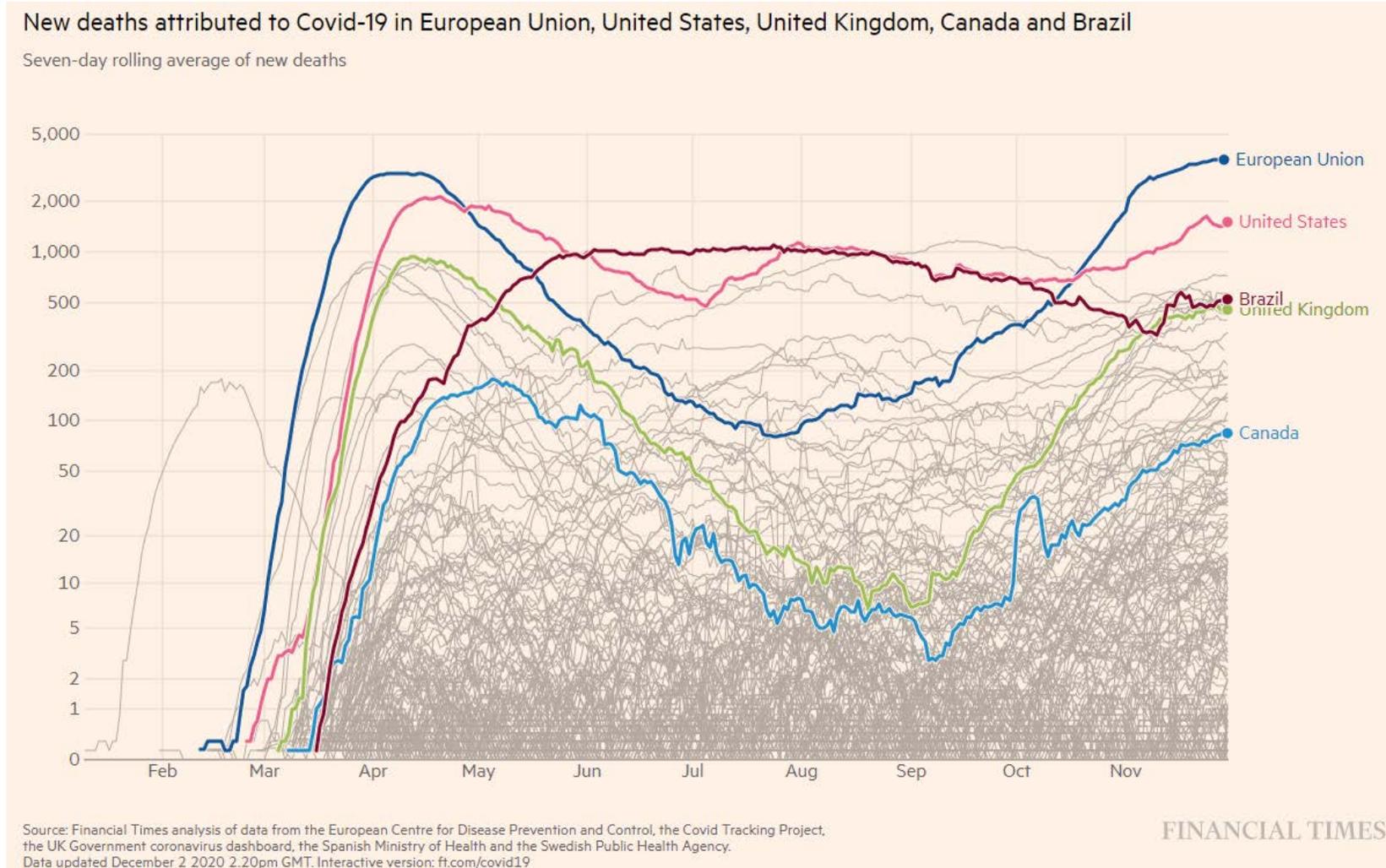
Past performance is no guarantee of future results.

Gold



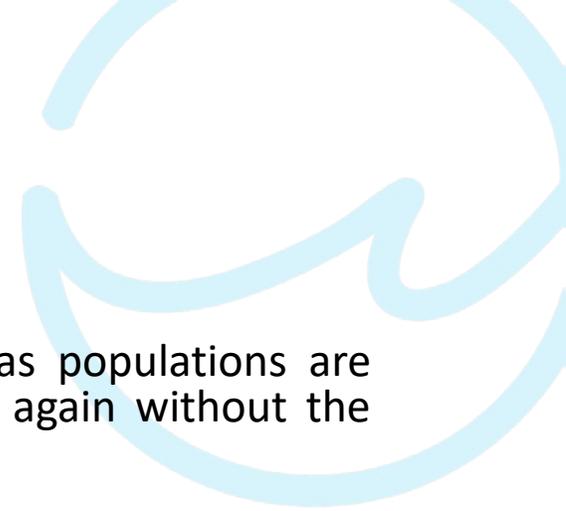
In early April we had increased our position in gold bullion for certain portfolios and strategies. The price of gold had been strong throughout the year, we believe benefitting from the money-printing of Central Banks and government deficit spending. We recently reduced this position at a profit as gold strength waned and price broke through a technical support area.

COVID-19 Data



As cases rapidly spread around the globe, the news of imminent vaccine distribution is a relief. Some countries, including the UK, will begin vaccine distribution in December.

Concluding Thoughts



We may be seeing a light at the end of the pandemic tunnel. We are hopeful that as populations are vaccinated we can move to a new normal where we are able to see friends and family again without the dangers of virus exposure.

Stay safe and healthy and don't hesitate to reach out if there is anything you would like to discuss.



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References

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- https://twitter.com/Callum_Thomas/status/1330224711788355586

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