

Special Coverage:



Maintaining our Positive Outlook: Sentiment Boosted by US Election and Vaccine News

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Key takeaways

- ◆ A vaccine has tested 90% effective in providing immunity to Covid-19.
- ◆ Markets have rallied strongly on expectations the global economy will be able to re-open earlier than expected.
- ◆ We remain positive on equities but diversification remains key.

Markets buoyed by Election and Vaccine News

A promising Covid-19 vaccine has been found 90% effective in providing immunity to Covid-19. While this is good news, questions remain around the logistics of implementation, as well as public perception towards this brand-new vaccination.

Markets are focussing on the positives, rallying over the past week following the US election result. The vaccine news has added to market momentum but this may slow as the complexities around vaccine implementation become clearer.

Short-term volatility remains a possibility, especially if the US election result is challenged. Covid-19 cases are also still rising in Europe and the US, and may impact risk sentiment.

What are HSBC's views?

1. **Overweight Equities and favour economically sensitive sectors** – Global equities are our picks and continue to be supported by monetary and fiscal stimulus. Favour cyclical sectors – Industrials, Materials and Consumer Discretionary sectors stand to benefit from the economic recovery.
2. **Short-term, more positive on US high yield bonds** in the search for yield. We prefer high yield bonds with superior credit ratings (BB and above) because of potentially higher issuer default rates.
3. **Short-term, upgrade Singapore equities (Overweight); Downgrade Indian equities (Underweight).** Singapore equities should benefit as a proxy to the global economic recovery, while Indian equities are unattractive due to their expensive valuations and continued challenges around the pandemic..

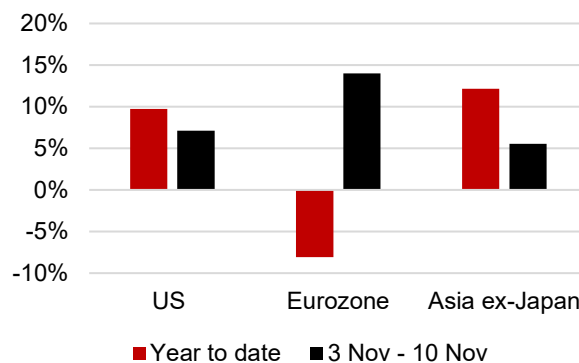


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Stock markets have rallied strongly



Source: Refinitiv Datastream, as of 10 Nov 2020. Index: S&P 500, Euro Stoxx 50 and MSCI Asia ex-Japan, in local currencies. Investment involves risks. Past performance is not an indicator of future returns. For illustrative purpose only.

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