

# Aberdeen Standard International Equities

## Main changes and influences

- Global equity markets climbed higher as US regulators approved two Covid-19 vaccines for public distribution.
- Small cap tech stocks outperform mega-caps, lifting the Nasdaq to all-time highs.
- A resurgence in coronavirus infections worldwide could stymie the nascent recovery.
- More government stimulus for major economies should support asset prices.

## Global overview

Global equities rallied in the fourth quarter, with several markets touching record highs. Investors were upbeat as US health regulators greenlit Covid-19 vaccines from drugmakers Pfizer-BioNTech and Moderna for public use. Subsequently, several other countries around the world also commenced mass vaccination programmes to slow the spread of the virus as a resurgence in infection rates compelled many of them to re-impose lockdowns.

News of fresh stimulus out of the US and Europe also bolstered sentiment. Outgoing American president Donald Trump approved a US\$900 billion coronavirus relief package and US\$1.4 trillion to finance government operations until September 2021. Across the Atlantic, European Union (EU) leaders agreed to a US\$2.2 trillion budget and pandemic relief programme to support their beleaguered economies.

US Democratic president-elect Joe Biden's wider margin of victory over incumbent Donald Trump after a series of vote recounts also proved heartening to markets; many expect the former to take a more nuanced and less confrontational approach in handling trade disputes with other countries, including China. Across the

Atlantic, the UK and European Union agreed on the long-awaited post-Brexit trade and security treaty just days before the UK was scheduled to leave the single market. This should ease concerns of the adverse impact to Britain's economy from a 'no deal' scenario.

Sector-wise, mega-cap technology stocks took a breather after stellar gains earlier in the year. Investors switched to more value-oriented and cyclical plays on rising expectations of an economic recovery. Hence, it was the smaller caps that drove the tech-heavy NASDAQ benchmark to record highs. Stocks that were badly affected by the pandemic, including traditional retailers, banks, travel and leisure advanced as a result.

In key data, most major economies including the US, Eurozone and China saw robust rebounds in third-quarter GDP as countries rolled back social-distancing measures to allow a much-needed resumption in business activities. Any further recovery in growth will be contingent on how quickly the Covid-19 vaccines can be distributed across the globe and whether they have a high degree of efficacy claimed by drugmakers.

## Outlook

Prospects for global equity markets appear to be improving, with at least two Covid-19 vaccines expected to be available globally by the first quarter of 2021. If effective, the treatments could help quell the fresh waves of infections sweeping across the world. However, more countries have re-imposed social-distancing measures to limit contagion, thus stymieing a full-fledged economic recovery. Nevertheless, the continued infusion of massive stimulus into major economies and expectations of a less-volatile Biden administration in the US should support asset prices.

From a portfolio perspective, we are giving serious consideration to two key aspects. Firstly, how normalised earnings will look like amid this crisis. Secondly, whether companies are well-positioned for a post-Covid-19 world. In such times of uncertainty, sound bottom-up analysis and stock-picking strategies are even more crucial. We have the advantage of a world-class proprietary research platform, and an exceptionally well-resourced and experienced team that has navigated many past crises. Amid market volatility, we continue to seek out good quality companies at attractive valuations, while actively engaging with their management to ensure robust corporate governance and high standards of sustainability.

### Contact us

#### Client Services Team

**Telephone:** 1800 636 888 or +61 2 9950 2853 if calling from outside Australia

**Email:** [client.service.aust@aberdeenstandard.com](mailto:client.service.aust@aberdeenstandard.com)

**Website:** [www.aberdeenstandard.com.au](http://www.aberdeenstandard.com.au)

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