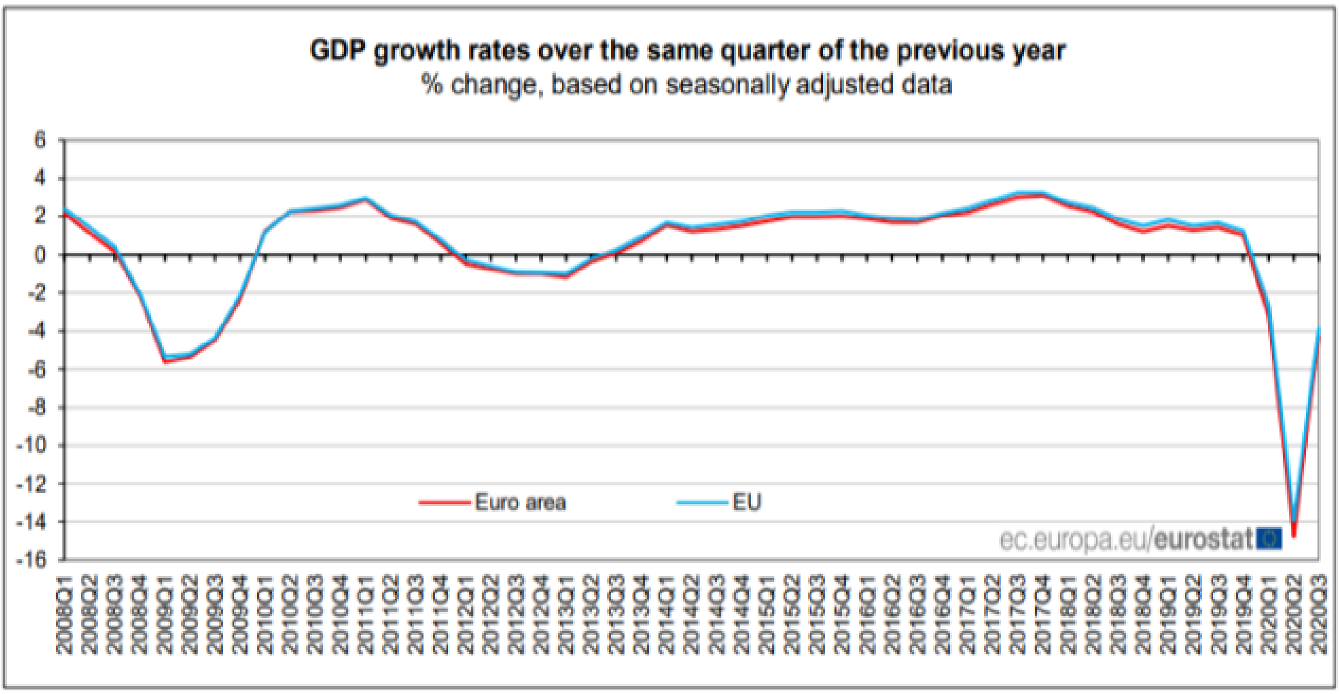
October was a bad month for markets everywhere.

The Covid-19 pandemic returned to undermine economies in the West. Fourth quarter growth is now under threat after a strong rebound in the previous quarter with GDP in the Eurozone bouncing by 12.7% (after plummeting 11.8% in the previous quarter) and 18.2% in France (-13.7%).

In 2020, GDP growth rates move according to lockdown agenda. In 2020Q3, GDP up by 12.7 after a decline of 11.8% in 2020Q2 in Euro area.



Published growth rates of GDP in volume up to 2020Q3*

(based on seasonally adjusted** data)

	Percentage change compared with the previous quarter				Percentage change compared with the same quarter of the previous year			
	2019Q4	2020Q1	2020Q2	2020Q3	2019Q4	2020Q1	2020Q2	2020Q3
Euro area	0.0	-3.7	-11.8	**12.7**	1.0	-3.3	-14.8	**-4.3**
EU	0.1	-3.3	-11.4	**12.1**	1.2	-2.7	-13.9	**-3.9**

Source *: Eurostat*

The outlook for 2021 is also now looking less encouraging depending on how long this sanitary crisis lasts. Sentiment was hit further by uncertainty ahead of the US elections. Investors piled into safe haven assets like the Yen, US dollar and euro-denominated government bonds and took profits on equities and commodities. On October, Europe's broad STOXX 600 index had lost 5.19%, the CAC 40 4.36% and the DAX 9.4%. It was the same trend in the US where the Dow Jones lost 4.6%, the SP500 2.8% and the Nasdaq 2.3%. Asia proved more resilient. The Nikkei edged 0.9% lower, while Shanghai gained 0.2% and the Hang Seng 2.7%. Brent crude plunged 11.25%, moving below $40 to $37.94 on October 30. In the US, expensive GAFA stocks fell on third quarter figures even though they were superb. In fact, US third quarter results were mostly not as bad as expected. By October 23, and with figures in from 135 companies in the S&P500, earnings were down by 16.7%, or less than the 21.5% expected as recently as October 2. By October 27, and with figures in from 99 companies in Europe’s STOXX index, earnings were down by 30.2%, or less than the 38% expected as recently as October 6.

Should we succumb to the same pessimism as in last March and April and expect markets to plunge again by the end of the year?

Perhaps not. Governments, central banks and companies have learnt a lot since the first coronavirus wave. Lockdown this time has meant fewer blanket restrictions. Businesses will go on working. The building and construction sector, for example is exempt. People are not prevented from going to work and schools and public services have stayed open. As a result, Germany now only expects the economy to contract by 5.5% this year - instead of 5.8% previously- due to GDP bouncing 8.2% in the third quarter after -9.7%. The Bundesbank said the recovery may have slowed but is still in place, with resilience in the property sector. It is the same story in the US. October's data showed the economy was still enjoying a robust recovery as we moved into the fourth quarter. In China, the only major economy to see growth in 2020, GDP for this year is looking like being revised higher. In the third quarter, it rose 4.9% after a 3.2% bounce back in the second. The IMF's forecast of 1.9% for this year is likely to be conservative. Domestic demand has recovered and imports should help activity in its Asian neighbors. Even so, uncertainty is high. France's finance minister Bruno Le Maire now expects the recession to persist in the current quarter and GDP for the year to contract by 11%. Even before the second lockdown was announced, INSEE had zero growth for the quarter and a 9% contraction for the year. This is why the ECB made no new decisions when it met on October 29. The bank wants to see if existing plans are working. And some programs still have reserves to spend. Only €617bn of the PEPP's €1.5 trillion has actually been used. Nevertheless, ECB chair Christine Lagarde has warned that the bank will be as flexible as it can. "We did if for the first wave and will do so again for the second", she said. Markets are now expecting a further €500bn PEPP extension with the program staying in force until end 2021 rather than June. Amid such massive monetary creation, the euro slipped to $1.1647 (October 30) and peripheral country and corporate spreads narrowed further vs. the Bund.

Spread BBB 4Y EURO as of 10/30/2020

At the time of writing, investors were waiting to see the results of the US elections. As the US still dominates global finance, the results will dictate market trends in the fourth quarter.

NAV OF THE FUNDS

						Cumulated Performances					
NAV Date	UCITS	NAV	% 1 Week	%1 Month	%3 Months	%YTD	%1 Year	%2 Years	%3 Years	%5 Years
30/10/2020	HUGAU MONETERME I	120 647,74	+0,00	+0,03	+0,20	**-0,12**	- **0,13**	- **0,17**	- **0,34**	**0,22**
30/10/2020	HUGAU OBLI 1-3 I	1 359,08	-0,35	-0,16	+0,03	**-2,47**	- **2,34**	- **1,26**	- **2,96**	**0,78**

Past performances are not a guarantee of future performances

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