RAYMOND JAMES

Remember, Remember The Importance of November

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"The month of November makes me feel that life is passing more quickly" – Henry Rollins

October was generally a positive month for global equity markets, helping to push many developed market indices to new 2021 highs. Whilst COVID-19 challenges remained material and new concerns about gas prices, petrol availability and general delivery concerns became more apparent during the month, so far the average third-quarter corporate earnings season number has been taken well. However, most fixed income markets have continued to struggle this year, even if many 10-year bond yields have not yet returned to levels seen earlier this year. Awareness of current - and potentially future - inflation rates has continued to increase, bringing forward the concept of tighter central bank policy, possibly even by the end of this year. Whilst late October's European Central Bank (ECB) meeting witnessed or needed few immediate changes, early November updates by both the Bank of England and the American Federal Reserve, are likely to have more of an impact on fixed income investors.

November has historically been well-received by global financial markets, as the eleventh month over the last ten, twenty or even seventy years, offering - on average - the highest monthly returns. The reason why November has, on average, performed well is a combination of the timing of third-quarter corporate earnings updates and building hopes towards the end of the year and looking forward to the following year.

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Of course, nothing is ever guaranteed, and that is certainly true for 2021 and looking into the rest of the 2020s. Whilst some progress was made regarding the imposition of a minimum 15% tax rate for large international businesses, many other discussions amongst the largest countries in the world were postponed until the United Nations Climate Change Conference COP26 meeting, held in Glasgow over the first couple of weeks of November. There will be much to discuss with potentially significant implications for the global environment and economy over the coming decades. Anybody with a pension fund should hope for not only some significant global agreements but also concrete solutions over the coming years.

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Emerging market economies have struggled so far this year, impacted by the continuing lower availability of COVID-19 vaccinations, and then supplemented by over eighty interest rate increases by over thirty emerging market central banks, even before political or underlying conflict issues are factored in. Such challenges however ultimately impact all global economies, especially as average emerging market economic growth should still be expected to be higher than the developed market world during the 2020s.

November is therefore set to be an insightful and important month at many levels for the global economy, which may well not be best captured by equity or bond market moves over the next couple of months. So much in life is a trade-off after all. Whilst it is fortunate that job opportunities are improving, the U.K. budget update did not overly focus on tax increases, most petrol stations are once again fully open and there is likely to be good present availability at Christmas, issues from climate change to debt levels and much more can still impact. As always, there are many reasons to be positive...but thoughtful too.

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