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Make or break: US equity markets hover around all-time highs

US equity markets have consolidate this week. Based on historical return patterns this is quite normal (Fiq. 3). The key question is will we get a pullback before a next leg up? Or will finally the pullback materialize? Seasonality and bull market history speak rather against a correction before Q1, but negative news flow can change market sentiment within minutes. Yesterday's announcement that Pfizer BionTech will not be able to produce the promised number of doses this year and that there are logistic challenges to distribute the vaccine made the market sentiment turning negative. Both however, should not have been a big surprise, but as there is so much complacency in the market it needs very little to turn markets around.

South Koreans export and PMI data are both good leading indicators for the further development of the global economy. The Korean stock market seems to follow these leading indicators, which rise hope that global equity markets will follow the Korean market.

Fig. 1: Will the S&P 500 follow the KOSPI?

Based on this we continue to believe that over the coming months US and global equity markets should continue their way up. Net Inflow into global equites over the last 3 years is flat and not positive. Seasonality speaks as well for higher markets.

Fig. 2: Inflow into equites over the last 3 years now finally flat, but money market up too

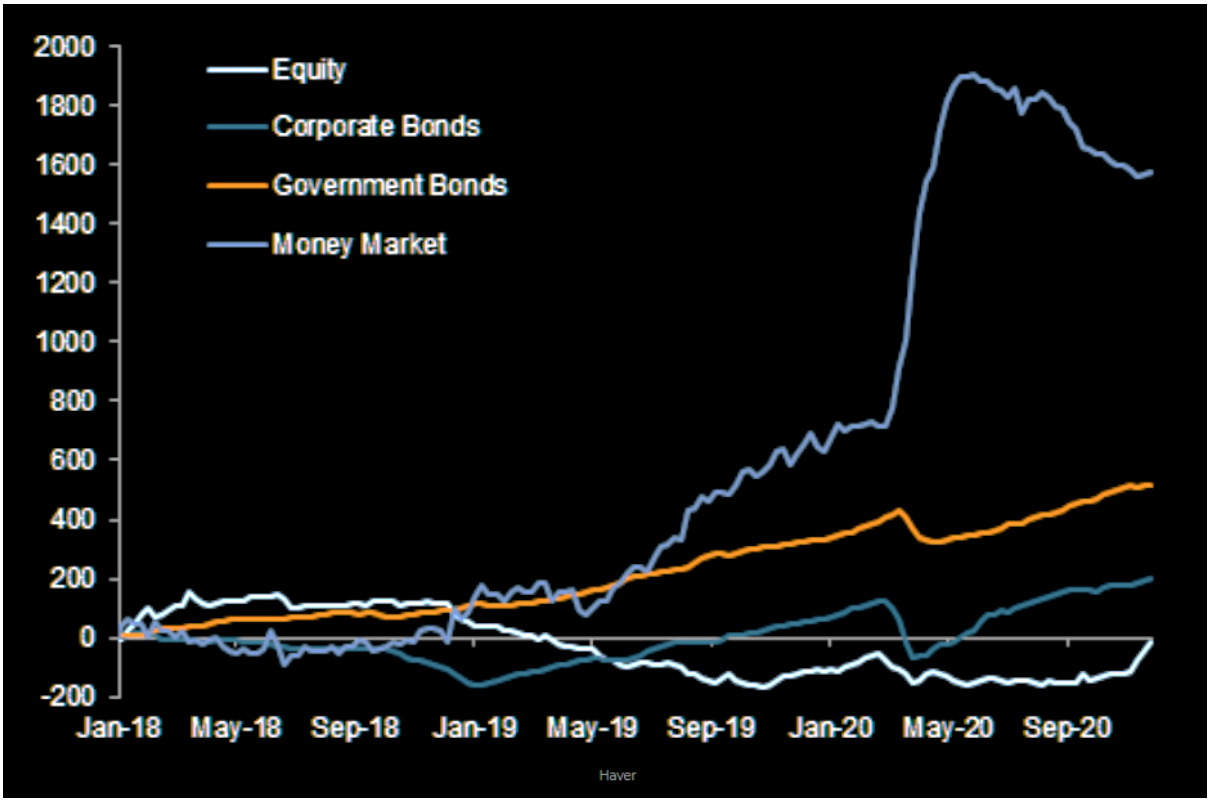
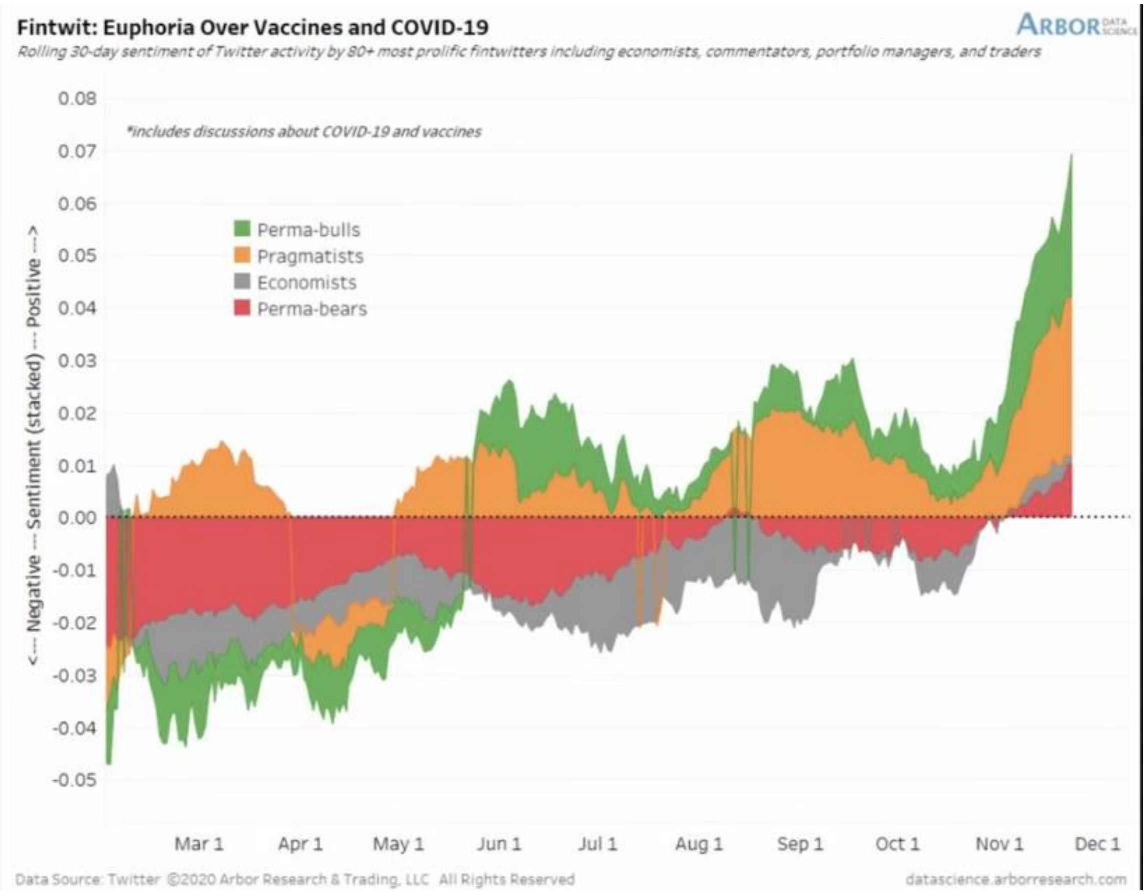


Fig. 3: Median performance after Thanksgiving: up 2% and 6% after three months

There are however no bears around which is scaring. But such exuberance phases can last for some weeks before it normalizes. We therefore would not sell equites. We recommend however to rebalance and add to laggards by financing it by selling some winners of 2020. This rather cautious short-term assessment gets supported by the fact that short-sellers and permabears have turned bullish, a good indicator to get cautious.

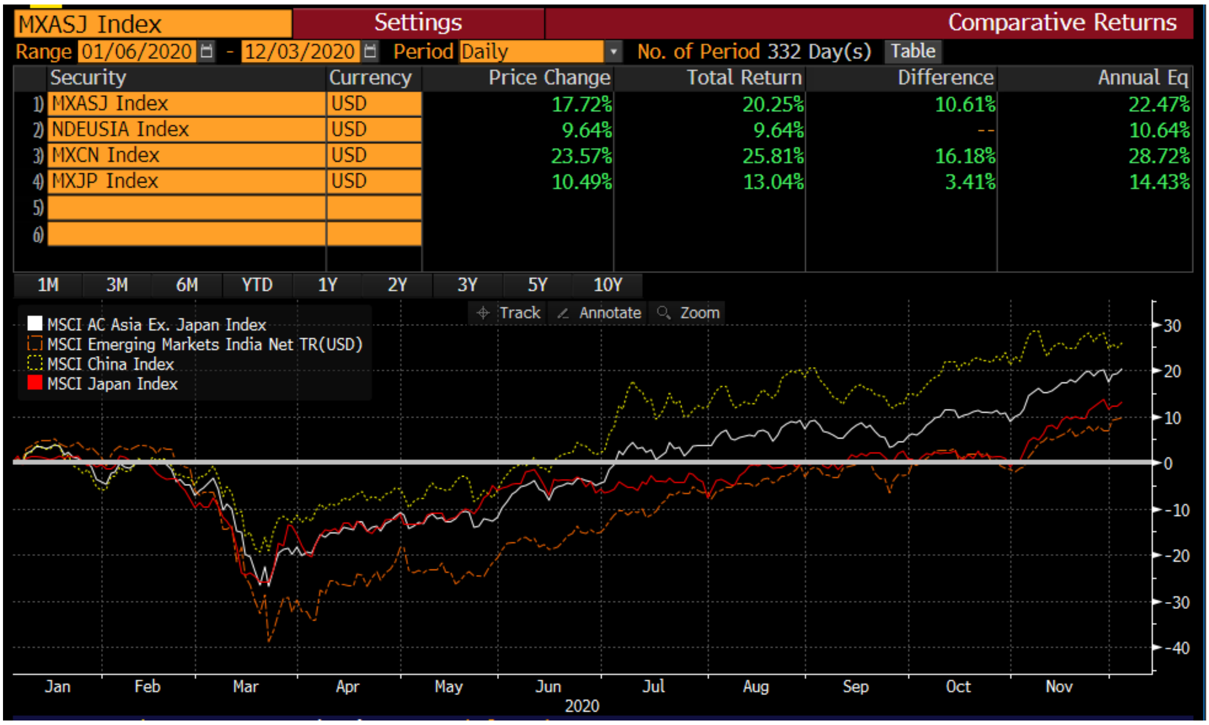
Fig. 4: There are no bears left!



Over the last trading days gold successfully tested its 200-day average. After a short overshooting we are now trading at around USD 1'840 per ounce and might soon test the next resistance zone at around USD 1'880.

Fig. 5: Gold has regained its 200-day average and might try to overcome 1880 level

Fig. 6: Indian equites might catch up with other Asian Markets



The latest news about the Indian economy is that the country is in a recession. However like the Brazilian equity market the Indian market has risen sharply recently. We continue to prefer Asian equities over US equities and do underweight Europe. Within Asia we might have a short period where Indian equities catch up with the rest of the region.

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