



1921
2021
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Will November buck the trend?

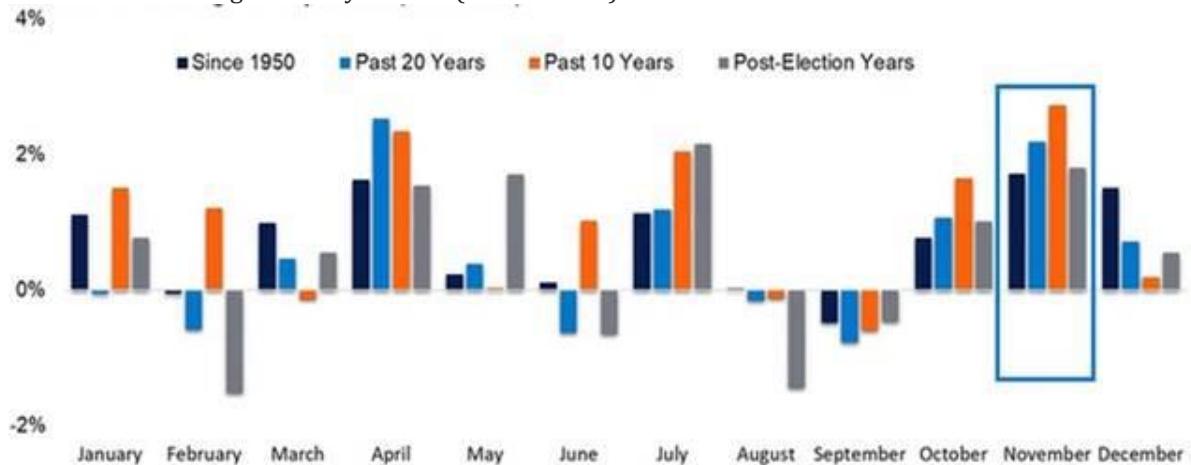
3rd November 2021

Investors are weighing whether momentum from the stock market's record-breaking rally will continue in the last two months of 2021, a traditionally strong calendar period for equities but a stretch that may carry more risks than usual this year. The S&P 500 has rallied nearly 25% year-to-date, its best January through October performance since 2013, and historical data shows that November and December tend to be among the strongest months for stocks.

October has had its fair share of bear markets, picking up its reputation from the crashes of 1929, 1987 and during the global financial crisis in 2008 – although, markets have entered November relatively unscathed. In fact, it was September that provided the turbulence. With October firmly behind us, we may see markets ending the year strongly as they have done in the past.

November has been strong historically

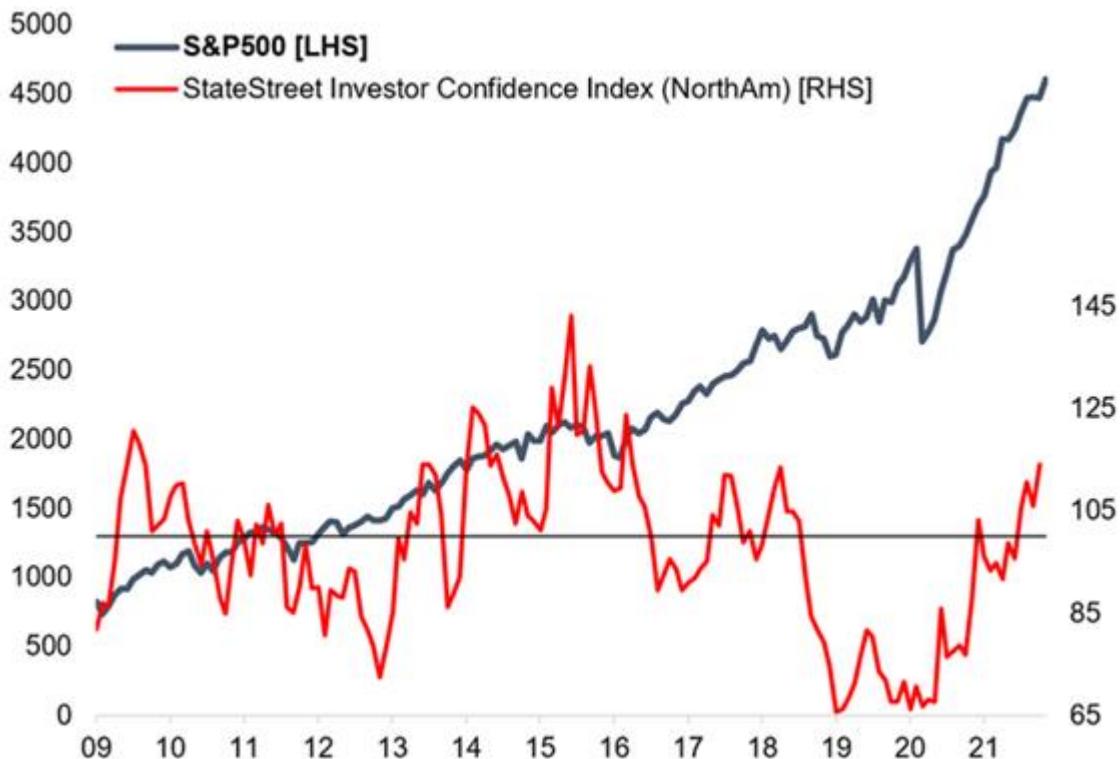
S&P 500 Index average monthly returns (1950 – 2020)



Source: LPL Research, FactSet (1950 – 2020)

This historical phenomenon can be attributed to optimism during the festive season, year-end portfolio adjustments and investors being on holiday, leading to lower than average trading volumes. This is filtering through to the StateStreet Investor Confidence Index, which has picked up sharply in recent months.

StateStreet Investor Confidence Index



Source: StateStreet

It is worth mentioning that while November and December tend to be positive on average, exceptions of course exist. This may be one of those exceptions, with the numerous headwinds that could take shape in the final two months of the year. With Central Banks turning more hawkish, the expectation of the Federal Reserve announcing the start of their tapering and potential ructions in the bond market, as well as worries over looming inflation and a debate over tax legislation in Washington, there is a fair amount of uncertainty in markets. Not to mention, the ongoing supply chain constraints, which will likely impact the festive period.

Therefore, our focus continues to be on quality companies. Looking at our best performing funds in our Balanced portfolio year-to-date, a quality bias is clearly visible among the top five.

Best performing funds in the Balanced portfolio	Performance (%)
Alliance Bernstein Sustainable US Equity	20.55
Liontrust Special Situations	17.59
MS Global Brands	16.37
Fundsmith Equity	15.53
Threadneedle UK Equity Income	15.40

Whether there is more volatility during the end of 2021 or not, holding these quality companies alongside our fixed income and absolute return funds, should provide a smooth ride.

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