Willem:
We have been taking a risk-on approach, and this has served us well because both the US elections and the recent vaccine news are boosting market sentiment. Regarding the US election, spirits are lifted by a split Congress outcome, most likely, and which means that there will probably not be big increases in regulation or in taxes.

And this is leading to a global rally of risk assets, including emerging market assets.

Now, the news of a US vaccine, which would apparently be more than 90 percent effective, is also boosting market sentiment. So although COVID cases are still increasing, it would potentially allow equity markets to look forward as they like to do, and in the hope of rapid deployment of such a vaccine, which could boost consumer confidence and cyclical sectors.

So we remain overweight on cyclicals, especially in the US and in China, because, of course, in Europe we are still in the midst of a lockdown.

Now, we make two further pro-risk changes today with the upgrade of Singapore and Thailand, two countries in the ASEAN region. Singapore is a proxy of the global recovery and is reasonably priced given that it has been lagging recently. Thailand is very cheap: it has been a big under-performer. Its economy, of course, is closely linked to tourism.

And as the global economy re-opens and with positive vaccine news, we think this market should be well supported going forward. We fund these two upgrades by downgrading India, a market which has performed strongly and is now expensive in our view, with price/earnings ratios at a historical high.

Our second change is our upgrade of US high yield. As investment grade spreads have come in quite substantially, we need to broaden our search for yield, but still limit it to the BB area of high yield.

We also like high yield’s, typically short duration, given that volatility in the Treasury market has picked up. That being said, we do not expect an upward trend in Treasury yields. Now, while risk appetite is positive, we should not jump to conclusions.

There are still a lot of uncertainties related to COVID, the vaccine and even the US Senate elections.

So therefore, we remain diversified with a focus on quality stocks with strong balance sheets and we maintain are overweight on gold.