



**Philequity Corner (January 4, 2021)**  
**By Wilson Sy**

**Best of times, worst of times**

2020 was a year like no other. Many events that unfolded were unparalleled in history. It will be written in books as an incredulous, unprecedented, chaotic, turbulent, tumultuous, and topsy-turvy year. It was a year that altered lives and changed fortunes. Contemplating on the events that happened in 2020 made me ponder on this passage from a great literary masterpiece:

*“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.” – Charles Dickens, The Tale of Two Cities*

**2020: Worst of times, season of darkness**

The COVID-19 pandemic forced countries to lockdown, severely depressing the world’s economies, causing business closures and massive unemployment. It caused the sharpest and fastest plunge in global stock market history, sent crude oil below zero and crashed financial assets. It was the worst of times for many businesses, the season of darkness and the winter of despair.

**2020: Best of times, season of light**

Displaying the best of humanity’s response to this pandemic, governments and central banks worldwide came up with extraordinary solutions. Doctors, nurses, and other medical professionals were at the forefront of saving lives and became modern-day heroes. The scientific community and the pharmaceutical industry worked together to develop a vaccine in record time. All these provided the light at the end of a long, dark, and horrifying tunnel. Hence, despite the unemployment, bankruptcies, COVID-19 cases and deaths, stock markets were making historic highs.

**Global stock markets at record highs**

Global stocks overcame a market carnage in the first quarter and finished 2020 at record highs. The iShares MSCI All Country World Index (ACWI) closed at an all-time high and is up 14.5 percent for the year. The Nasdaq Composite led all indices, surging 94.4 percent from its March lows to post a 42.9 percent return in 2020. Japan’s Nikkei index is at multi-decade highs, up 16 percent for the year.

Developed Markets	Index	Price as of 31-Dec-20	Decline at Low	Gain from Low	Year-to-date
US	Nasdaq Comp	12,888.28	-26.5%	94.4%	42.9%
US	S&P 500	3,756.08	-32.2%	71.4%	16.1%
Japan	Nikkei	27,444.17	-30.9%	67.8%	16.0%
US	DJIA	30,606.49	-36.4%	68.0%	6.9%
Germany	DAX	13,718.78	-37.5%	66.2%	3.8%
Canada	TSE 300	17,433.60	-34.5%	56.0%	2.2%
Australia	S&P/ASX 200	6,587.10	-34.0%	49.6%	-1.2%
UK	FTSE 100	6,456.70	-37.0%	34.8%	-15.0%

In another good sign of global market resilience, the iShares Emerging Markets ETF (EEM) is a few points shy of a new decade-high, finishing the year strongly with a 15.2 percent return. South Korea’s KOSPI doubled from its March low levels and recorded a 32 percent gain in 2020. Meanwhile, the Philippine PSE Index rallied 76.8 percent from its lows, shaving its 2020 loss to just 8.9 percent.

Asian Emerging Markets	Index	Price as of 31-Dec-20	Decline at Low	Gain from Low	Year-to-date
South Korea	KOSPI	2,873.47	-33.9%	99.6%	32.0%
China	CSI 300	5,211.29	-15.5%	48.8%	25.7%
Taiwan	TAIEX	14,732.53	-29.6%	72.8%	21.7%
India	BSE SENSEX 30	47,751.33	-38.2%	86.2%	15.2%
Malaysia	KLCI	1,627.21	-25.0%	34.7%	1.0%
Hong Kong	HANG SENG	27,231.13	-25.7%	28.8%	-4.3%
Indonesia	JCI	5,979.07	-37.9%	52.9%	-5.1%
Philippines	PSE Index	7,139.71	-48.5%	76.8%	-8.9%
Thailand	SET	1,449.35	-39.2%	49.6%	-9.1%
Singapore	STI	2,843.81	-31.8%	28.8%	-12.2%
Emerging Markets	EEM	51.67	-32.9%	71.7%	15.2%
World	ACWI	90.72	-32.7%	70.2%	14.5%

### US dollar tops out

The US dollar topped out in 2020, led by the strong performance of the euro. Commodity currencies and the higher-yielding EM currencies rebounded strongly to signify the pick-up in global demand and improving investor risk appetite. Boosted by the sliding dollar and the strong performance of EM currencies, the Philippine peso appreciated 5.2 percent for the year.

Major Currencies	Price as of 31-Dec-20	Decline at Low	Gain from Low	Year-to-date
Australian Dollar	0.769	-27.2%	28.3%	8.8%
Swiss Franc	0.886	-2.4%	10.5%	8.3%
Euro	1.222	-5.4%	12.9%	8.2%
Japanese Yen	103.20	-3.3%	8.0%	5.0%
British Pound	1.367	-16.2%	16.5%	3.0%
Canadian Dollar	1.273	-12.9%	13.2%	2.0%
<b>Asian EM Currencies</b>				
Taiwanese Dollar	28.094	-1.8%	8.0%	6.3%
Chinese Yuan	6.527	-3.1%	9.1%	6.3%
Korean Won	1,085.66	-11.9%	16.1%	6.1%
Philippine Peso	48.023	-2.6%	7.6%	5.2%
Singaporean Dollar	1.322	-8.8%	9.7%	1.8%
Malaysian Ringgit	4.020	-8.8%	9.6%	1.7%
Thai Baht	30.017	-11.7%	9.6%	-1.1%
Indonesian Rupiah	14,050.00	-19.9%	15.5%	-1.3%
Indian Rupee	73.055	-7.8%	5.0%	-2.3%

### 2021: Spring of hope

With the dreaded 2020 now over, the new year 2021 ushers in a spring of hope. While risks still abound, like disappointments in vaccine rollouts or the non-availability of vaccines in developing countries, we are cautiously optimistic for 2021. We believe that humanity and science will ultimately prevail over this tricky and deadly virus.

Given the immediate technical backdrop, our view on the global stock market and other risk assets remain positive. Propelled by the COVID-19 vaccine rollouts, the prospect of a robust global recovery this year has improved. The continued re-opening of the economy, improving business and consumer sentiment, government fiscal stimulus programs, and the hyper-accommodative monetary policy suggest further gains.

We wish everyone a safe, healthy, prosperous, peaceful, and happy new year!

*Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit [www.philequity.net](http://www.philequity.net) to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email [ask@philequity.net](mailto:ask@philequity.net).*