

Performance Update: ETFs Fund

The ETF portfolio of the Bocconi Students Trading Association gained a positive return of 2.56% in the first half of November, thus outperforming the S&P500 index which gained a return of 1.48%. Such a return can mostly be explained by the social and political events of the last two weeks, which, in this period of uncertainty, sparked in investors a sense of optimism towards equity markets.

While most of the debt securities comprising the BSTA portfolio fluctuated slightly from their value of two weeks ago, the biggest jumps in value can be found in the funds tracking both developed and emerging markets. This level of confidence in equity markets is justified by the end of the scrutiny process for the USA presidential elections, but even more predominantly, by the Pfizer and BioNTech announcements about the efficacy of their vaccines. As soon as the news came out on Monday, the blue-chip S&P500 index closed with a return of 1.2%, hand in hand with other indexes such as the Europe's Stoxx 600 and the MSCI's All Country World index of global stocks which recorded impressive returns as well.

Both small and mid-large capitalization ETFs appreciated greatly during the last two weeks' period. Companies in the tourism sector, the most affected by the pandemic, were the ones benefiting the most by the vaccine rally, followed by energy and financial groups. Vice versa, companies which strengthened their positions during 2020, thus "benefiting" from the virus, fell greatly during this wave of euphoria: HelloFresh, the meal delivery service, fell 15% while Ocado, the UK group that delivers groceries and sells technology to supermarket chains such as Kroger in the US, fell 12%. Zoom, the videoconferencing service, fell 17%.

The real challenge as of now is understanding how long this confidence in the markets will last. Days before Thanksgiving, daily coronavirus cases in the US are at record levels and the world debt burdens cast serious doubts about the future ability of world economies to recover fully in the next years.