

## Weekly Market Update (November 02 - November 06, 2020)

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### Leading the week are Strong sector gains and Positive economic news

On **Monday**, investors showed renewed confidence in cyclical stocks and bought into the dip from the previous week, thus pushing the S&P 500 up by 1,2%. October also saw the ISM Manufacturing Index at its highest level since September 2018 clocking in at 59.3 %.

New orders reached 67.9%, also their highest level since January 2004, and this is a strong representation that the manufacturing sector continues to find its feet and is on course for a speedy recovery.

This positive economic news helped the cyclical stocks, and by market close, the materials, energy, financial and industrial sectors all finished in the positive.

On a negative note, growth and mega-cap stocks continued to struggle, and this saw the Nasdaq only up by a mere 0.4%. The Dow Jones however pushed up 1.6%.

In other economic news, construction spending rose 0.3% month on month in September 2020, helped largely by rising residential construction spending.

On **Tuesday**, we saw the S&P 500 rise by 1.8%, as 10 of its 11 sectors finishing in the plus territory. The continued buy-the-dip mindset of investors had major indexes rising. The Dow Jones was up 2.9% and the Nasdaq rose 1.9%.

The industrials, financials, and consumer discretionary sectors posted the strongest gains. The possibility of knowing election results seemed to have bolstered the market further.

The only sector to finish in negative territory was the energy sector.

Factory orders increased 1.1% month on month in September 2020, showing that businesses continue to ramp up spending.

On **Wednesday**, the charge of the bull was led by mega-cap and growth stocks.

With the ever-increasing likelihood of a divided Congress, investors seemed to bet on the possibility of a further delayed and smaller fiscal stimulus package.

A smaller package would suggest a slower economic recovery, during which growth stocks would likely outperform cyclical stocks.

As such, the S&P 500 was up by 2.2%, with communication services, healthcare, information technology, and consumer discretionary posting the best largest gains.

With the help of mega-cap stocks, the Nasdaq grew 3.9%, and the Dow Jones was also up 1.3%.

The financials, utilities, materials, and industrial sectors all fell.

In economic reports, we saw the ISM Non-Manufacturing Index clocked in at 56.6%, which is slightly lower than September's 57.8%. This suggests that manufacturing activity continues to grow albeit at a slower pace.

September's trade deficit narrowed as export growth outpaced import growth. Global trade activity continues to recover slowly; however, both exports and imports decreased on a year-to-date basis, reason being the impact the COVID-19 pandemic has had on trading.

To round of Wednesday, the ADP Employment Change Report for October calculated that 365,000 private-sector jobs were added, a lower reading than was expected.

On **Thursday**, major indexes continued their gains from earlier in the week. The S&P 500 was up 2% and again 10 of its 11 sectors finished in positive territory, with energy being the odd one out and finishing in negative territory.

The biggest winner of the day was the materials sector as it saw the largest gains of all.

With value and growth stocks both on the rise, and the Dow Jones push up 2% while the Nasdaq rose 2.6%.

In economic reports, initial jobless claims dropped by 7,000 to 751,000 in the last week of October. Unit labour costs declined by 8.9% however productivity rose in the 3<sup>rd</sup> quarter at an adjusted rate of 4.9%. This report suggests continuing improvements in the labour market; however, elevated jobless claims point to significant room for improvement still.

On **Friday**, major indexes remained relatively neutral, however, they still posted some of their best weekly gains since April 2020.

The S&P 500 was down 0.03% during trading however it logged a weekly gain of 7.3%.

The Dow Jones dropped 0.24% during trading however it logged a 6.9% gain over the course of the week.

The Nasdaq rose 0.04% during trading and logged a 9% gain over the course of the week.

The strengthening labour market coupled with the possibility that an election result may come about sooner than expected brought about a positive sentiment amongst the markets.

Many investors had made bearish calls prior to the election but seemed to reverse those calls this week. The possibility of a divided Congress also seemed to contribute to some optimism.

Additionally, economists predicted a 7.7% unemployment rate for October; however, October's unemployment rate clocked in at a much better 6.9%.

### Company reports and news

- Clorox beat revenue expectations and increased their 2021 revenue guidance.
- Qualcomm posted strong earnings and positive guidance.
- Both Uber and Lyft performed strongly after California voted to classify drivers as contractors instead of employees.
- Biogen stock also rose after the FDA positively reported on their Alzheimer's drug.

## Economic Calendar

Time (GMT+2)	Event	Impact
11:25 09.11	EUR ECB's President Lagarde speech	High
12:35 09.11	GBP BoE's Governor Bailey speech	High
14:00 09.11	EUR ECB's Mersch speech	Medium
16:00 09.11	GBP BoE's Haldane speech	Medium
02:01 10.11	GBP BRC Like-For-Like Retail Sales (YoY) (Oct)	Medium
03:30 10.11	CNY Consumer Price Index (YoY) (Oct)	High
09:00 10.11	GBP Claimant Count Rate (Oct)	Medium
09:00 10.11	GBP Claimant Count Change (Oct)	High
09:00 10.11	GBP ILO Unemployment Rate (3M) (Sep)	High
09:00 10.11	GBP Average Earnings Including Bonus (3Mo/Yr) (Sep)	Medium
09:00 10.11	GBP Average Earnings Excluding Bonus (3Mo/Yr) (Sep)	Medium
21:00 10.11	USD Fed's Quarles speech	Medium
00:00 11.11	USD Fed's Brainard speech	Medium
03:00 11.11	NZD RBNZ Interest Rate Decision	High
03:00 11.11	NZD Monetary Policy Statement	High
09:00 12.11	GBP Manufacturing Production (MoM)(Sep)	Medium
09:00 12.11	GBP Gross Domestic Product (YoY)(Q3) PREL	Medium
09:00 12.11	GBP Gross Domestic Product (MoM)(Sep)	Medium
09:00 12.11	GBP Gross Domestic Product (QoQ)(Q3) PREL	High
09:00 12.11	EUR Harmonized Index of Consumer Prices (YoY)(Oct)	High
10:00 12.11	GBP BoE's Governor Bailey speech	High
15:30 12.11	USD Initial Jobless Claims (Nov 6)	Medium
15:30 12.11	USD Consumer Price Index excl. Food & Energy (MoM)(Oct)	High
15:30 12.11	USD Consumer Price Index (YoY)(Oct)	Medium
21:00 12.11	USD Monthly Budget Statement (Oct)	Medium
12:00 13.11	EUR Gross Domestic Product s.a. (QoQ)(Q3) PREL	High
12:00 13.11	EUR Gross Domestic Product s.a. (YoY)(Q3) PREL	High
14:00 13.11	USD Fed's Williams speech	Medium
15:30 13.11	USD Producer Price Index excl. Food & Energy (YoY)(Oct)	Medium
17:00 13.11	USD Michigan Consumer Sentiment Index (Nov) PREL	High
18:00 13.11	GBP BoE's Governor Bailey speech	High