

Weekly Market Update (December 07 – December 11, 2020)

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**Long way to go on Brexit trade talks as Britain feels that EU's trade deal offer 'remains unacceptable'**

On **Monday**, the Nasdaq increased 0.5% due to strength among growth stocks however, struggling cyclical and value stocks pulled the S&P 500 down by 0.2% and The Dow Jones by 0.5% respectively.

Due to rising infection rates and renewed lockdowns dominating the headlines, investors opted to move into perceived safe havens stocks such as Apple, Facebook, and Tesla. These investor moves in turn had information technology and communication services sectors posting gains in daily trading.

Utilities also posted gains, while the energy sector posted the largest decline amongst all sectors.

The GBP was suppressed as Brexit uncertainty took hold, and a surprise lack of a trade deal would automatically shave off more of its value.

On **Tuesday**, major indexes changed course from Monday and daily gains. The S&P 500 was up 0.3%, the Dow Jones grew 0.4% and the Nasdaq added 0.5%.

Ongoing Fiscal stimulus talks, Covid-19 infection rates and vaccine news remained the predominant market drivers.

Materials, Healthcare, Energy, and consumer staples had the strongest trading day.

On the other hand, consumer discretionary, financials and the consumer services sectors struggled to perform.

On **Wednesday**, major indexes declined. The Dow Jones was down 0.4%, the Nasdaq dropped 1.9% and the S&P 500 declined 0.8%. Facebook, Apple, Amazon, Netflix, and Google all struggled during daily trading and as such, the technology and communication sectors were the worst performers of the day.

Industrials, Energy, and materials all finished in positive territory. The main market drivers continued to be fiscal stimulus negotiations, vaccine optimism, concerns about vaccine supplies, and concerns about lofty tech valuations.

On **Thursday**, the S&P 500 was down 0.1% and the Dow Jones dropped 0.2%. IPO enthusiasm pushed the Nasdaq up 0.5%. AirBnB went public with an opening price of \$146 per share. Enthusiasm for the IPO seemed to inspire a buy-the-dip mentality that helped bolster the information technology sector.

The biggest winners of the day, however, were the energy and small-cap stocks due to rising oil prices.

Brent crude broke above 50 USD for the first time since March 2020 and just about held on to these levels at start of trade on Friday. It is strongly testing this level from above but holding. A weekly close above here could be a very encouraging technical signal for the markets after an incredible run over the last six weeks.

Massachusetts Mutual Life Insurance Co. - the 169-year old insurance firm - announced bitcoin purchases worth \$100 million, as well as a \$5 million equity stake in NYDIG – a financial services firm focused on bitcoin with \$2.3 billion in the asset under management.

On **Friday**, the S&P 500 was down 0.1% and the Nasdaq dropped by 0.2%, while the Dow Jones increased by 0.2%. During daily trading, Walt Disney announced optimistic updates to their subscription business. The announcement helped the communication services sector make gains.

The energy and financial sectors, however, were the worst performers of the day. The market did recoup some of its earlier losses following some positive headlines. The Senate passed a resolution to fund the government through December 18, and the FDA gave emergency use authorization to Pfizer and BioNTech for their vaccine.

## **Brexit**

The European Union and Britain will return to the negotiating table on Monday Dec 14 after agreeing to abandon a supposed make-or-break deadline for a post-Brexit trade pact.

EU chief Ursula von der Leyen and Prime Minister Boris Johnson had said last week they would decide whether an agreement was possible by the end of Sunday but agreed in a crisis call to "go the extra mile".

They did not offer a new deadline, but Conservative Party lawmaker Mark Harper suggested the extended talks could go right to the wire, with less than three weeks until Britain leaves the single market at the end of the month.

EU negotiator Michel Barnier and Britain's David Frost held talks late on Saturday and early on Sunday.

Johnson insisted that an agreement was far from sure.

"I'm afraid we're still very far apart on some key things, but where there's life there's hope," he said after briefing his cabinet about the call.

"The UK certainly won't be walking away from the talks. I still think there's a deal to be done if our partners want to do it," he added.

Reports suggested the two sides were exploring a potential deal on how to respond if their regulations diverge over time and threaten fair competition.

But Britain cannot compromise on the "fundamental nature" of Brexit, controlling UK laws and fisheries, the prime minister said.

Without a deal, cross-Channel trade will revert to World Trade Organization rules, with tariffs driving up prices and generating paperwork for importers, and the failed negotiation could poison relations between London and the continent for years to come.

"Either way, whatever happens, the UK will do very, very well," Johnson insisted.

## **Brent Holding Above US\$50**

The near-term outlook for the global economy is far from rosy but OPEC addressed this by cutting back planned production increases from January and instead cut back production gradually over the opening months of the year.

Such an outlook is never that straightforward and OPEC are far from out from the safe zone, however a price hold above 50 USD would be very encouraging.

## **Gold**

Gold came under a bit of pressure again, adding to its losses over the last couple of days.

Traders locked in small profits ahead of a big week for the United States.

Stimulus talks, a Fed meeting, and a vaccine rollout, all in the same week, had gold being very sensitive to developments, particularly with relation to the first two mentioned points.

With Congress acting late in the week and with no deal being agreed yet, the Fed may be forced to step up and do something to keep markets onside. The economy is facing a tough winter ahead and any further support would be very much welcomed.

This may be enough to support gold prices, but we could see them soften a little, towards 1800 USD in the run up to it.

## **Fascinating End to The Year for Bitcoin**

Bitcoin did not have a good week.

It was down roughly 9% since Monday and sat below the 18 000 USD mark. This comes after multiple failures to break through 20 000 USD and as a result the 16 000 USD is looking more vulnerable than it previously did.

A break into new territory above the 20 000 USD mark seems more likely, however a move below 16 000 USD would be a huge test for the Bitcoin buzz, that saw it hit new highs earlier this month.

It should be a fascinating end to the year and one to keep an eye on.

## Corporate News and Earnings

- **Boeing** and **Pfizer** were two value stocks that performed strongly in daily trading.
- **Pfizer's** vaccine could be approved by the FDA this week
- UBS upgraded **Boeing's** stock to a Buy rating.
- **Smartsheet** reported revenue of 90.9 USD million in Q3. Smartsheet's revenue came in above expectations, as did their operating income and net free cash flow. Overall, analysts were impressed by Smartsheet's ability to increase core billings and attract large customers. Analysts also highlighted that Smartsheet's acquisition of **Brandfolder** has performed better than expected due to strong management.
- **Thor Industries** reported earnings per share of 2.05 USD and revenue of 2.54 USD billion in the first quarter. Thor beat expectations on both revenue and EPS, citing increased demand for RVs due to the pandemic.
- **Chewy** reported earnings per share of 0.14 USD and revenue of 1.72 USD billion in the third quarter, beating estimates. Analysts highlighted Chewy's higher customer retention rates as well as the fact that Chewy customers are spending larger amounts. Both trends suggested that Chewy will be able to continue its momentum moving forward.
- Both **Airbnb** and **DoorDash** raised their price ranges on their IPOs that are scheduled for later this week.
- The Federal Trade Commission and 48 states sued **Facebook** over antitrust activity.
- **DoorDash** went public in one of the year's largest IPOs. DoorDash's newly available stock opened at 182 USD, significantly above its IPO price of 102 USD.
- **AirBnB** went public with an opening price of 146 USD per share.

## Economic News

- Initial jobless claims rose to 853,000 and hit their highest level since the week of September 18.
- Both Core CPI and Total CPI increased 0.2% month on month November.  
These numbers were in line with expectations and demonstrated that inflation is not currently a significant concern.
- Core and total PPI increased 0.1% month on month in November.
- Consumer Sentiment improved in November.

## Economic Calendar

Time (GMT+2)	Event	Impact
01:50 14.12	JPY Tankan Large Manufacturing Index(Q4)	High
12:00 14.12	EUR Industrial Production s.a. (MoM)(Oct)	Medium
02:30 15.12	AUD RBA Meeting Minutes	High
04:00 15.12	CNY Retail Sales (YoY)(Nov)	High
09:00 15.12	GBP Claimant Count Change (Nov)	High
09:00 15.12	GBP ILO Unemployment Rate (3M) (Oct)	High
21:30 15.12	CAD BoC's Governor Macklem speech	High
09:00 16.12	GBP Consumer Price Index (MoM)(Nov)	Medium
09:00 16.12	GBP Retail Price Index (YoY)(Nov)	Medium
09:00 16.12	GBP Consumer Price Index (YoY)(Nov)	High
09:00 16.12	GBP Core Consumer Price Index (YoY)(Nov)	Medium
09:00 16.12	GBP Retail Price Index (MoM)(Nov)	Medium
10:30 16.12	EUR Markit Manufacturing PMI(Dec) PREL	High
15:30 16.12	USD Retail Sales ex Autos (MoM)(Nov)	Medium
15:30 16.12	USD Retail Sales Control Group (Nov)	High
15:30 16.12	USD Retail Sales (MoM)(Nov)	High
21:00 16.12	USD FOMC Economic Projections	High
21:00 16.12	USD Fed Interest Rate Decision	High
21:00 16.12	USD Fed's Monetary Policy Statement	High
21:30 16.12	USD FOMC Press Conference	High
00:45 17.12	NZD Gross Domestic Product (YoY)(Q3)	High
10:30 17.12	CHF SNB Monetary Policy Assessment	High
14:00 17.12	GBP BoE Interest Rate Decision	High
14:00 17.12	GBP BoE Asset Purchase Facility	High
05:00 18.12	JPY BoJ Monetary Policy Statement	High
05:00 18.12	JPY BoJ Interest Rate Decision	High
08:00 18.12	JPY BoJ Press Conference	High
09:00 18.12	GBP Retail Sales (YoY)(Nov)	Medium