

Weekly Market Update (November 09 - November 13, 2020)

Vaccine Breakthrough Raises Market Sentiment

On **Monday**, Pfizer announced that their small COVID-19 vaccine trial had a 90% efficacy rate among participants and as a result, many hard-hit industries including hospitality and travel performed exceptionally well, as did all major indexes, all of which rose during daily trading.

This shift in balance however, turned against the growth and tech stocks, bringing down their lofty valuations. As a result, both the S&P 500 the Dow Jones pushed higher by +1.2% and +3% respectively, while the Nasdaq was down 1.5%.

The energy and financial both thrived as cyclical stocks performed strongly, however, with growth stocks falling, the consumer discretionary sectors, information technology and communication services all finished in the negative.

Positivity in the market also seemed to be boosted by the possibility of a split Congress. A split Congress could bring about more political moderation and reduce the likelihood of on-sided policy changes.

On **Tuesday**, ongoing positive vaccine news continued to bolster the Dow Jones.

Pfizer's announcement on Monday preceded Eli Lilly's overnight report that they had received emergency use authorization for their antibody therapy. The reports and announcements saw the airlines industry, lodging companies and cruise line companies all gain strongly during day trading as all these industries would largely benefit from a successful vaccine.

Overall, value stocks in the industrials, materials, energy, consumer staples and financial industries all performed strongly.

Both the S&P 500 and Dow Jones followed these industries in moving towards the upside before paring some of their gains before market close.

On market close, the Dow Jones finished 0.9% higher however the S&P 500 closed 0.1% down.

Comparatively, the pandemic's safe-haven tech stocks struggled to perform in daily trading. As a result, the Nasdaq dropped 1.4%. Rounding up, the consumer discretionary, information technology, and communication services industries all finished in the negative.

On **Wednesday**, we saw tech stocks recover some of their previous losses from earlier in the week. Wednesday also saw the information technology, consumer discretionary and the communication services industries perform well through the day. As a result, the Nasdaq was up by 2.01%.

Utilities, real estate, and consumer staples also finished in positive territory and this helped the S&P 500 grow by 0.8%.

The health care, financials, energy, industrials, and materials sectors however all finished in the negative territory.

With a shift away from value towards growth, the Dow Jones dropped 0.1% however market analysts believe this market recalibration is an overall healthy move.

As the economy continues to recover, the market would theoretically then rely less on tech and mega-cap stocks and more on value and smaller cap equities. The next couple of months may feature an oscillation between these areas of the market as the market redistributes its weightings.

On **Thursday**, key market indexes fell to session lows, as the Dow Jones lost nearly 400 points and the Nasdaq reversed lower.

The Dow Jones dropped 1.3%, the S&P 500 was down 1.2%, and the Nasdaq edged 0.7% lower in the stock market today.

Small caps stocks gave up 1.6%.

Volume was mixed, lower on the NYSE but higher on the Nasdaq vs. the same time Wednesday.

First-time unemployment claims for the week came in at 709,000, as reported by the Labour Department. That was 48,000 lower than the prior week's 757,000.

Stocks turned lower as Senate Republican Leader Mitch McConnell said he is not interested in "dramatically larger stimulus" regarding a coronavirus aid bill. President Donald Trump continues to make unsubstantiated claims about election fraud.

President Donald Trump claimed on Twitter that an election technology firm "deleted" large numbers of his votes or "switched" them to count for Joe Biden.

Trump and his supporters have launched attacks on one of the most widely used technology firms in the U.S. - Dominion Voting Systems - seeking to sow doubt in the results of the 2020 election, despite no evidence of any serious irregularities.

On **Friday**, the stock market entered the last day of weekly trading on a mixed note, with the Dow Jones - a big winner several days earlier due to positive COVID-19 vaccine news - dipping at the open, while the Nasdaq pressed forward. Among the early factors was Thursdays better-than-expected weekly unemployment report.

At the same time, the Labour Department reported that the Consumer Price Index was unchanged in October after rising by 0.2% in September.

The S&P 500 followed a similar path, while the Nasdaq, up in the morning, fell moderately after lunch, closing by 77 points.

It seems that the vaccine rally faded and was replaced by new fears about the spread of COVID-19 - with the latest day seeing more than 144,000 new cases of this disease - coupled with the realization that widespread distribution of this preventive vaccine will take several months to produce.

Additionally, there is no fiscal stimulus package yet on the horizon, and we may not see one until the new Congress meets in early 2021.

- **Earnings Reports**

- **Lyft** beat expectations and reported smaller losses than expected. Their revenue was still down 48% over the past year; however, Lyft reported \$499.7 million in revenue compared to the \$495.8 million expected in revenue. The ride sharing service reported that they are starting to see an uptick in demand after the pandemic crippled the industry.
- **Lemonade** exceeded third-quarter earnings expectations. The digital renters' insurance company showed revenue growth of 64% to \$17.8 million. They also increased their full-year revenue guidance.
- **McDonald's** delivered an upbeat earnings report, posting earnings of \$2.22 per share compared to the estimated earnings of \$1.90 per share. U.S. sales picked up in the third quarter and helped the fast-food chain. McDonald's plans to introduce more plant-based options, competing with Beyond Meat who delivered disappointing earnings results on Monday
- **Beyond Meat** reported a loss of \$0.28 per share. Analysts had expected Beyond Meat to post earnings of \$0.05 per share. Their revenue also came in significantly lower than expected

- **Economic News**

- The *Small Business Optimism* Index for October remained unchanged.
- September *job openings* increased slightly to 6.436 million. There were fewer job openings in the federal government, in part due to a drop in demand for Census workers. Retail and education services also saw fewer job openings. Food services, wholesale trade, transportation, and warehouse services saw job openings increase.



Economic Calendar

Time (GMT+2)	Event	Impact
15:00 16.11	EUR ECB's President Lagarde speech	High
15:30 16.11	GBP ECB's Mersch speech	Medium
18:00 16.11	EUR BoE's Tenreyro speech	Medium
19:30 16.11	GBP BoE's Haskel speech	Medium
21:00 16.11	GBP Fed's Clarida speech	Medium
02:30 17.11	AUD RBA Meeting Minutes	High
15:00 17.11	EUR ECB's De Guindos speech	Medium
15:30 17.11	USD Retail Sales ex Autos (MoM) (Oct)	Medium
15:30 17.11	USD Retail Sales Control Group (Oct)	High
15:30 17.11	USD Retail Sales (MoM) (Oct)	High
16:00 17.11	GBP BoE's Governor Bailey speech	High
16:15 17.11	USD Industrial Production (MoM) (Oct)	Medium
18:00 17.11	EUR ECB's President Lagarde speech	High
19:00 17.11	GBP BoE's Ramsden speech	Medium
21:00 17.11	USD Fed's Williams speech	Medium
21:00 17.11	CAD BoC's Governor Macklem speech	High
00:00 18.11	AUD RBA's Governor Lowe speech	High
09:00 18.11	GBP Consumer Price Index (MoM) (Oct)	Medium
09:00 18.11	GBP Retail Price Index (YoY) (Oct)	Medium
09:00 18.11	GBP Core Consumer Price Index (YoY) (Oct)	Medium
09:00 18.11	GBP Retail Price Index (MoM) (Oct)	Medium
12:00 18.11	EUR Consumer Price Index (MoM) (Oct)	Medium
12:00 18.11	EUR Consumer Price Index - Core (YoY) (Oct)	Medium
12:00 18.11	EUR Consumer Price Index - Core (MoM) (Oct)	Medium
12:30 18.11	GBP BoE's Haldane speech	Medium
N / A 18.11	EUR 10-y Bond Auction	Medium
15:30 18.11	CAD BoC Consumer Price Index Core (YoY) (Oct)	High
02:30 19.11	AUD Employment Change s.a. (Oct)	High
10:00 19.11	EUR ECB's President Lagarde speech	High
15:30 19.11	USD Initial Jobless Claims (Nov 13)	Medium
02:00 20.11	NZD New Zealand General Election	High
02:30 20.11	AUD Retail Sales s.a. (MoM) (Oct) PREL	High
03:30 20.11	CNY PBoC Interest Rate Decision	High
09:00 20.11	GBP Retail Sales (YoY) (Oct)	Medium
10:15 20.11	EUR ECB's President Lagarde speech	High
15:30 20.11	CAD Retail Sales (MoM) (Sep)	High
17:00 20.11	EUR Consumer Confidence (Nov) PREL	Medium