
Weekly Market Update (November 16 - November 20, 2020)

Numerous sector recoveries with ongoing positive vaccine and economic news

On **Monday**, with the ongoing positive vaccine news, investors continued to shift funds into cyclical and value. Moderna biotechnology company announced that their potential vaccine featured a 94.5% efficacy rate.

Pfizer pharmaceutical corporation made a similar vaccine announcement last week, and as a result, some of the hardest-hit industries in the economy have vastly improved on this optimistic news.

Industrials, financials, cyclical energy, and materials all performed strongly in daily trading.

The Dow Jones rose 1.6% and the S&P 500 climbed 1.2%.

While growth stocks did not perform as well as cyclical stocks, they still managed to gather strength from positive news in the semiconductor space. Such news included the announcement from Taiwan Semi that they will be expanding their production capacity. By close, the Nasdaq increased by 0.8%.

On **Tuesday**, major indexes declined slightly following yesterday's highs. The Nasdaq dropped 0.2%, the S&P 500 was down 0.5% and the Dow Jones fell 0.6%. Most sectors experienced small losses; however, the hardest hit sector was the utilities sector which declining 2%.

Real estate and energy were the only sectors that posted gains in daily trading.

The market however turned slightly pessimistic following the release of the October total retail sales.

Total retail sales increased 0.3% month on month, which was however slightly under expectations. This modest increase suggests that consumers have slightly reduced their spending on items such as food services, furniture, and clothing.

Economic news on the other hand was largely optimistic.

Industrial production increased in October by 1.1% month on month, indicating that industrial production has recovered much of its pandemic losses.

On **Wednesday**, major indexes declined despite the influx of mostly positive economic, corporate, and vaccine news. It seemed that the market had already priced in such optimism during its rally on Monday and therefore continued to consolidate those gains.

The Dow Jones dropped 1.2%, the Nasdaq declined 0.8% and the S&P 500 lost 1.2%. All sectors finished in negative territory, with the largest losses seen in the health care, utilities, real estate, and energy sectors.

The industrials sector declined the least, falling only 0.5%, supported largely by the additional positive vaccine news from Pfizer and BioNTech.

The partnered companies announced that their vaccine proved 95% effective during Phase 3 trials. They reported that they now plan to file for emergency use authorization of the vaccine. AstraZeneca also announced that their Phase 2 vaccine data showed encouraging immune responses among older patients.

On **Thursday**, renewed hope for fiscal stimulus saw major indexes rise. The Dow Jones rose 0.2%, the Nasdaq climbed 0.9% and the S&P 500 increased 0.4%. The energy sector leading the gains with a rise of 1.5%.

Health care and utilities were the only two sectors to finish in negative territory.

During daily trading, Senate Minority Leader Chuck Schumer said that Senate Majority Leader Mitch McConnell agreed to restart stimulus discussions.

On **Friday**, a series of disappointing news reports saw major indexes spiral lower. The Dow Jones dropped 0.8%, the Nasdaq fell 0.4% and the S&P 500 declined 0.7%. Despite advancing issues outnumbering declining issues in the Nasdaq, 10 of the 11 S&P 500 sectors finished in negative territory. The only sector to post modest gains was the utilities sector.

The market turned pessimistic after Treasury Secretary Steve Mnuchin said they would not extend 5 emergency lending programs beyond the end of December 2020. Additionally, JPMorgan announced they are now forecasting a negative GDP for Q1 2021 however they are still forecasting an economic rebound for Q2 and Q3 2021. Friday also saw California announcing new curfews to reduce the spreading of COVID-19.

These 3 news events overshadowed the additional positive vaccine news from Pfizer, who went ahead and filed for emergency use authorization for their COVID-19 vaccine.

Earnings Reports

- Home Depot reported earnings per share of \$3.18 and revenue of \$33.54 billion in Q3. Both their EPS and revenue clocked in above expectations. Home Depot executives attributed their strong third quarter to consumers spending increased funds on home improvement projects.
- Walmart reported earnings per share of \$1.34 and revenue of \$134.7 billion in Q3. Both their EPS and revenue clocked in above expectations. Walmart executives attributed their strong third quarter to a growth in e-commerce.
- Lowe's reported earnings per share of \$1.98 and revenue of \$22.31 billion in Q3. Their revenue clocked in above expectations; however, their EPS fell slightly short of the expected \$1.99 in earnings per share. During the third quarter, sales at Lowe's stores increased more than 30%; however, the home improvement retailer also faced steeper labour costs as well as higher expenses related to building out their e-commerce platform. Both expenditures cut into Lowe's Q3 earnings.

- Target reported earnings per share of \$2.79 and revenue of \$22.63 billion in Q3. Both their EPS and revenue clocked in above expectations. Target executives attributed their strong third quarter to dramatic increases in their digital sales, curb side pickups, and home deliveries.

Corporate News

- Pfizer and BioNTech reported that their vaccine was 95% effective during Phase 3 trials. The two companies then filed for emergency use authorization of their COVID-19 vaccine.
- Moderna announced that their vaccine candidate had a 94.5% efficacy rate when tested on a small group of individuals.
- Tesla will be joining the S&P 500 on December 21.
- Boeing received approval to fly their 737 Max airplanes.

Economic News

- October's retail sales increased 0.3% m/m, coming in slightly under expectations. The modest increase suggests that consumers have somewhat reduced their spending on clothing, furniture, and food services.
- The Empire State Manufacturing Survey declined to 6.3 in November. The survey showed that manufacturing growth has slowed in New York; however, the report also stated that manufacturers remain optimistic.
- The NAHB Housing Market Index for November came in at 90, beating its record from last month.
- Import prices decreased in October, while export prices increased.
- Industrial production increased in October by 1.1% m/m, demonstrating that industrial production has recovered most of its pandemic losses.
- Business inventories rose in September.
- Housing starts in October climbed 4.9% m/m and reached the highest level seen since February. Building permits were flat but remained above their pre-pandemic levels. The reports showed continued strength in the single-family housing market. In additional positive housing market news, existing home sales increased 4.3% m/m in October.
- The Leading Economic Index also rose 0.7% m/m in October.
- Initial claims for the week ending in November 14 rose to 742,000. Continuing claims for the week ending November 7 declined to 429,000. The rise in initial claims pointed to a slowdown in the job market in November.

Economic Calendar

Time (GMT+2)	Event	Impact
10:15 23.11	EUR Markit Manufacturing PMI (Nov) PREL	Medium
10:15 23.11	EUR Markit Services PMI (Nov) PREL	Medium
10:30 23.11	EUR Markit Manufacturing PMI (Nov) PREL	High
10:30 23.11	EUR Markit Services PMI (Nov) PREL	Medium
10:30 23.11	EUR Markit PMI Composite (Nov) PREL	High
11:00 23.11	EUR Markit Manufacturing PMI (Nov) PREL	Medium
11:00 23.11	EUR Markit PMI Composite (Nov) PREL	High
11:30 23.11	GBP Markit Services PMI(Nov) PREL	High
16:45 23.11	USD Markit Manufacturing PMI(Nov) PREL	Medium
17:30 23.11	GBP BoE Monetary Policy Report Hearings	High
02:30 24.11	AUD Trade Balance (MoM)(Oct) PREL	High
09:00 24.11	EUR Gross Domestic Product (YoY)(Q3)	Medium
11:00 24.11	EUR IFO – Expectations (Nov)	Medium
14:05 24.11	JPY BoJ's Governor Kuroda speech	High
16:00 24.11	USD Housing Price Index (MoM)(Sep)	Medium
17:00 24.11	USD Consumer Confidence (Nov)	Medium
00:00 25.11	NZD RBNZ's Governor Orr speech	High
11:00 25.11	EUR EU Financial Stability Review	Medium
15:30 25.11	USD Durable Goods Orders ex Transportation (Oct)	Medium
15:30 25.11	USD Durable Goods Orders (Oct)	High
15:30 25.11	USD Initial Jobless Claims (Nov 20)	Medium
15:30 25.11	USD Nondefense Capital Goods Orders ex Aircraft (Oct)	High
15:30 25.11	USD Personal Spending (Oct)	Medium
15:30 25.11	USD Gross Domestic Product Annualized (Q3) PREL	Medium
15:30 25.11	USD Core Personal Consumption Expenditure - Price Index (YoY)(Oct)	Medium
N / A 25.11	GBP Autumn Forecast Statement	Medium
21:00 25.11	USD FOMC Minutes	High
23:45 25.11	NZD Trade Balance (YoY)(Oct)	Medium
07:00 26.11	JPY Leading Economic Index (Sep)	High
14:30 26.11	EUR ECB Monetary Policy Meeting Accounts	Medium
01:30 27.11	JPY Tokyo Consumer Price Index (YoY)(Nov)	Medium
12:00 27.11	EUR Consumer Confidence (Nov)	Medium
12:00 27.11	EUR Business Climate (Nov)	Medium