

Weekly Market Update (December 21 – December 25, 2020)

Lawmakers agree to USD 900 billion stimulus package aiding individuals and small businesses affected by pandemic

On **Monday**, Major United States equity averages - which pressed forward last week despite some uninspiring news on both the economy and the coronavirus - are sitting notably lower.

Much of the recent positive news about the distribution of the Covid-19 vaccine, produced by Pfizer and BioNTech, gave way this morning due to some troubling news out of the United Kingdom on the coronavirus front.

Prime Minister Boris Johnson announced another round of restrictions, while many countries of Europe have shut their borders to the United Kingdom.

These developments were a result to reports of a new variant of Covid-19, discovered last week.

The new strain can spread up to 70% faster than the previous version of the deadly virus.

International stock markets fell sharply around the globe on fears that the strain could spread globally.

Before the opening bell, all major United States equity futures were drastically down, with the Dow futures at one point down as much as 550 points. The concerns about Britain's decision spooked investors as the possibility of further restrictive shutdowns would create problems for economies that have already been hard hit by the pandemic, including the United States economy.

This was the case last week with the initial weekly unemployment claims showing a worse-than-expected rise in numbers to 885,000.

The energy stocks are under some heavy selling pressure, as oil prices are sharply down on economic concerns due to Covid-19. Investors are concerned that the U.S. economic recovery is slowing amid the resurgence in Covid-19 cases and related lockdowns. The energy sector was down more than 1% on Friday.

Investors may revisit the technology stocks that did well during the height of the coronavirus pandemic.

The technology companies, especially those that provide cloud computing and cloud-based functionality that allow for working and learning from home, may get another boost from the recent increase in lockdowns to slow the resurgence of the deadly virus.

The tech loaded NASDAQ climbing more than 3% over the latest five-day stretch.

There are some events that could provide some support for equities over the next few weeks, including the announcement over the weekend that lawmakers had agreed to a USD 900 billion stimulus package designed to help individuals and small businesses affected by the coronavirus. This stimulus package coupled with the Pfizer and Moderna Covid-19 vaccine could potentially support equities in the near term.

On **Tuesday**, stocks began the holiday-shortened trading week with a volatile session, as recent developments pulled investors in opposite directions. On a positive note, a long awaited second Covid-19 stimulus deal was approved by Congress. The USD 900 billion relief package will provide much needed assistance to households, businesses, and the health-care industry, among others.

Stocks regained lost ground with a big assist coming from a rally in big bank stocks. Shares of JPMorgan, Goldman Sachs and Morgan Stanley moved higher after the Federal Reserve said the industry could resume share repurchases starting next year.

At the close, the Dow Jones after being down more than 400 points recovered to end the session 37 points ahead. The S&P 500 dropped 14 points short of breakeven, while the NASDAQ was 13 points down.

Most major market sectors lost ground, with the biggest losses coming from energy, telecommunications, and utilities.

Technology and Financial sectors were slightly up.

Meanwhile, Germany's DAX fell 2.8%, while France's CAC-40 dropped 2.4%, and the U.K.'s FTSE was down 1.7%.

Oil prices remained in negative territory throughout the day. The commodity has climbed more than 13% over the past 30 days, but is still down 20% versus a year ago, reflecting lower global demand due to the coronavirus.

On **Wednesday**, the day's trading began on another mixed note, with the Dow Jones falling and the Nasdaq gaining initially. This is possibly due to President Trump threatening to reject the stimulus package as insufficient to meet the needs of U.S. households now under financial pressure.

As for key influences, it was once again virus concerns outweighing the passage of the new pandemic relief bill. Markets were under stress with the ongoing news that a new variant strain of Covid-19 had emerged in the U.K.

The United States is worried that this new strain could travel across the Atlantic and wreak havoc on the country. This mutant virus has resulted in many countries banning travel to and from Great Britain

Meanwhile, the stock market continued with its divergent path before the Dow Jones finally closed off by 200 points. The Nasdaq, boosted by events and strength in the technology sector, managed to close in the positive.

On **Thursday**, Wall Street began the Christmas Eve session, with the Exchanges scheduled to close at 1PM (EST). Futures pointed to a modestly higher start even though President Trump has thrown a wrench into the much-anticipated fiscal stimulus deal by voicing his displeasure at the USD 600 proposed payment to the American people impacted by the virus-induced recession.

He is favouring a USD 2000 payment, which drew immediate endorsement by Democratic leadership, but little support amongst the Republicans.

The stock market started off on the right foot in trading, rising on optimism that the rapid distribution of Covid-19 vaccines from Pfizer and Moderna would quickly turn the tide on this global pandemic that has

taken the lives of so many people. The Dow Jones increased by 275 points by the early afternoon.

The strong gains persisted until the final half hour of trading. Selling toward the close cut the Dow's advance to a closing gain of 114 points. The S&P 500 closed essentially flat, while the Nasdaq was down by 37 points.

Politics was the primary cause of the markets fading towards the close. President Trumps' criticism of the modest stimulus bill could lead to a veto, and to a possible government shutdown.

On **Friday**, markets were closed as it was Christmas day.

Economic News

- A revised 3rd quarter GDP report showed that the United States' economic growth in the period came to 33.4%. Earlier, that figure had been estimated at 33.1%. Things have changed rather notably since the end of that quarter and growth in the current period will be just a fraction of that record total, in our view.
- The Commerce Department tallied, new weekly jobless filings at 803,000. That was a lower tally than the 888,000 that had been forecast and was below the level that had been expected.
- Personal income was lower in November, falling 1.1%, while consumer spending dipped into negative territory, as well.
- New home sales declined, recording its weakest reading since June.

Economic Calendar

Time (GMT+2)	Event	Impact
22:30 28.12	USD CFTC Gold NC Net Positions	Low
22:30 28.12	USD CFTC Oil NC Net Positions	Low
22:30 28.12	GBP CFTC GBP NC Net Positions	Low
22:30 28.12	EUR CFTC EUR NC Net Positions	Low
16:00 29.12	USD S&P/Case-Shiller Home Price Indices (YoY)(Oct)	Medium
18:30 29.12	USD 52-Week Bill Auction	low
20:00 29.12	USD 7-Year Note Auction	low
09:00 30.12	EUR Retail Sales (YoY)(Nov)	High
09:00 30.12	EUR Retail Sales (MoM)(Nov)	Medium
10:00 30.12	EUR Consumer Price Index (MoM)(Dec) PREL	Low
10:00 30.12	CHF KOF Leading Indicator (Dec)	Medium
11:00 30.12	CHF ZEW Survey – Expectations (Dec)	Medium
15:30 30.12	USD Goods Trade Balance (Nov)	Low
03:00 31.12	CNY Non-Manufacturing PMI(Dec)	High

03:00	31.12	CNY	NBS Manufacturing PMI(Dec)	High
15:30	31.12	USD	Continuing Jobless Claims (Dec 18)	Medium
15:30	31.12	USD	Initial Jobless Claims (Dec 25)	Medium
15:30	31.12	USD	Initial Jobless Claims 4-week average (Dec 25)	Medium