

Weekly Market Update (November 23 – November 27, 2020)

Stocks Rally on Lowering Political Risk with GSA Announcement

UNITED STATES

In the United States, benchmarks reached new records on vaccine and political optimism.

A new round of Covid-19 vaccine optimism coupled with diminishing political uncertainty helped stocks build on their recent gains.

Most of the major benchmarks hit record highs. The Dow Jones gained the most attention by pushing past the 30,000 threshold for the first time.

Hopes of reopening from the pandemic boosted cyclical shares, and particular energy stocks, however utilities, consumer staples, health care and real estate shares lagged.

The market was closed Thursday for the Thanksgiving holiday, but weekly trading volumes remained unusually elevated.

The 3rd announcement of positive preliminary Covid-19 vaccine results helped markets get off to a strong start to the week.

On **Monday**, before the start of trading, AstraZeneca announced that the Covid-19 vaccine it was developing - in partnership with Oxford University - was up to 90% effective.

The company's shares however, fell back over the following days, as reports emerged that the regimen had been mistakenly given to an incorrect test cohort, but investors remained optimistic that more vaccines, that are easier to distribute, are on their way.

The political environment also appeared optimistic as shares rallied on Monday afternoon following reports that President-elect Joe Biden was preparing to nominate former Federal Reserve Chair Janet Yellen as Treasury Secretary.

Sentiment was boosted with reports that Joe Biden's transition team were pushing Congressional Democrats to compromise with Republicans on fiscal stimulus, however these reports were later denied.

On **Tuesday**, stocks continued their rally from the previous day on news that the General Services Administration (GSA) was formally proceeding with transition measures for a Biden administration. While still refusing to concede, President Donald Trump tweeted that he in fact, was authorizing the GSA's action "in the best interest of our Country."

On **Wednesday**, some of the weeks' strong gains were drained, partially due to released economic data. Initial jobless claims rose unexpectedly to 778,000, their highest level in five weeks, and personal incomes fell 0.7% in October, offsetting September's gain.

U.S. stocks

Index	Friday's Close	Week's Change	% Change YTD
Dow Jones	29,910.37	646.89	4.81%
S&P 500	3,638.35	80.81	12.62%
Nasdaq	12,205.85	350.88	36.03%

EUROPE

European shares rose for a 4th consecutive week, fueled in particular by the ongoing positive Covid-19 vaccine developments and the fading U.S. election uncertainties. The fact that U.S. Congress may also compromise on a smaller economic stimulus has also aided the European stock rise.

These advances lost steam however, after the United Kingdom and Germany extended Covid-19 restrictions.

Overall, core eurozone bond yields held firm, despite a mixed week.

Germany's 10-year bond yield initially rose due to the ongoing positive Covid-19 vaccine news, however, announcements made from the European Central Bank's Philip Lane, ahead of the ECB policy meeting reaffirmed the need for more stimulus, dragging yields back down to Monday's levels.

Lingering Brexit concerns and renewed worries over economic growth prospects drove this decline, outweighing earlier increases in sentiment driven by Covid-19 vaccine progress.

In Germany, Chancellor Angela Merkel announced in Parliament that current Covid-19 restrictions would be tightened and extended until December 20 and warned that they may be extended until the end of January 2021.

The UK outlined a stricter tier system to replace the month-long lockdown ending on December 2. Most of northern England will be placed on tier three, while London and the southeast will be on tier two.

Portugal imposed a state of emergency for 15 days.

JAPAN

Japanese stocks surged in the holiday-shortened trading week. Japan's stock markets were closed on Monday, November 23, for Labour Thanksgiving Day.

For the week, the Nikkei 225 Stock Average was up by 4.4%, capping a 16% advance thus far this month and marking its highest level since April 1991. For the year to date, the benchmark is ahead 12.6%.

The yen strengthened versus the U.S. dollar and traded near JPY 104 on **Friday**.

Japanese investors dump foreign equities and buy Japanese government bonds

Bloomberg reports that in the six months ending September 30, Japanese investors sold the largest volume of global stocks and bought the biggest amount of Japanese government bonds since 2013.

Data from the Japan Securities Dealers Association revealed that Japanese investors dumped USD 37 billion of foreign stocks as markets recorded strong gains since the first-quarter lows and bought almost JPY 11 trillion of domestic sovereign debt.

Bloomberg believes that concern over global economic conditions and investor affinity for a 60% stock 40% bond allocation are driving the rebalancing.

The Nikkei reports that Japan's Global Pension Investment Fund, the world's largest pension fund with assets of JPY 162 trillion (USD 1.5 trillion), trimmed its stock exposure in the in the third quarter of 2020.

In the past seven days, the number of Covid-19 infections in Japan has spiked to new all-time high record levels. The new high of 2592 in daily infections was recorded on Saturday, and on **Thursday** the tally exceeded 2,500.

Tokyo reported 570 new cases on **Friday**, following several days of more than 500 earlier in the week. Japans Economy Minister Yasutoshi Nishimura's Covid-19 advisory panel recommended avoiding travel to highest infection areas and that the government will have to consider declaring another state of emergency if voluntary efforts fail to contain the latest resurgence.

CHINA

Chinese stocks rose for the week as solid economic data outweighed concerns about rising defaults among domestic bond issuers. The CSI 300 Index was up by 0.8% while the Shanghai Composite Index added 0.9% for the week.

In currency trading, the yuan ended broadly flat against the U.S. dollar.

During the week, some state-owned enterprises whose bonds have been under pressure experienced a sell-off in their shares. Shares of China Hongqiao, fell 8% on **Wednesday**, when the

company said it would raise 1.9 billion Hong Kong Dollars via a share placement with institutional investors at a roughly 14% discount to the previous day's close.

Economic Calendar

Time (GMT+2)	Event	Impact
03:00 30.11	CNY Non-Manufacturing PMI (Nov)	High
03:00 30.11	CNY NBS Manufacturing PMI (Nov)	High
12:00 30.11	USD OPEC Meeting	Medium
12:30 30.11	EUR ECB's President Lagarde speech	High
12:30 30.11	EUR Harmonized Index of Consumer Prices (YoY)(Nov) PREL	High
02:30 01.12	AUD Building Permits (MoM)(Oct)	Medium
05:30 01.12	AUD RBA Interest Rate Decision	High
15:30 01.12	AUD RBA Rate Statement(Dec)	High
08:45 01.12	CHF Gross Domestic Product s.a. (QoQ)(Q3)	High
12:00 01.12	EUR Consumer Price Index - Core (YoY)(Nov) PREL	High
12:00 01.12	EUR Consumer Price Index (YoY)(Nov) PREL	High
15:30 01.12	CAD Gross Domestic Product Annualized (QoQ)(Q3)	High
17:00 01.12	USD Fed's Chair Powell testifies	High
17:00 01.12	USD ISM Manufacturing PMI(Nov)	High
19:00 01.12	EUR ECB's President Lagarde speech	High
02:30 02.12	AUD Gross Domestic Product (QoQ)(Q3)	High
09:00 02.12	EUR Retail Sales (YoY)(Oct)	High
15:15 02.12	USD ADP Employment Change (Nov)	High
21:00 02.12	USD Fed's Beige Book	High
11:00 03.12	EUR Markit PMI Composite (Nov)	Medium
12:00 03.12	EUR Retail Sales (YoY)(Oct)	High
15:30 03.12	USD Initial Jobless Claims 4-week average (Nov 27)	Medium
17:00 03.12	USD ISM Services PMI(Nov)	High
02:30 04.12	AUD Retail Sales s.a. (MoM)(Oct)	High
15:30 04.12	USD Nonfarm Payrolls (Nov)	High
15:30 04.12	USD Trade Balance (Oct)	Medium
15:30 04.12	USD Average Hourly Earnings (YoY)(Nov)	Medium
15:30 04.12	USD Unemployment Rate (Nov)	Medium
15:30 04.12	CAD Unemployment Rate (Nov)	High
15:30 04.12	CAD Net Change in Employment (Nov)	High
17:00 04.12	USD Factory Orders (MoM)(Oct)	Medium