

Weekly Market Update (October 12 - October 16, 2020)

Uncertainly continues amid 'The COVID Fog'

The week's biggest stories in summary:

Some political uncertainty was removed after President Trump essentially recovered from the coronavirus.

Reports suggest that The White House has been drafting a \$1.8 trillion stimulus bill, bolstering relief expectations.

American pharmaceutical companies Eli Lilly (LLY) and Regeneron (REGN) have requested emergency use authorization for their COVID-19 antibody treatments, potentially aiding consumer sentiment.

Four out of the five days saw the market rise and every sector in the S&P 500 ended the week in positive territory.

The materials up +5.1%, energy rose by +5.0%, information technology +4.6%, and utilities sectors advanced more than 4.0% (+4.6%), while the real estate sector underperformed with a 1.4% gain.

Taiwan Semiconductor (TSM) reported strong revenue growth in September thus, boosting the semiconductor space.

NXP Semi (NXP) raised Q3 revenue guidance above consensus, and news that Xilinx (XLNX) is in talks to be acquired by AMD (AMD) for \$30 billion all assisted in this rise.

The Philadelphia Semiconductor Index surged 8.0%.

The one day that saw the markets close lower was when President Trump said he called off stimulus negotiations until after the election. He later clarified that he still wanted stimulus however he wants it in the form of standalone bills for airlines, small businesses, and households — this was ultimately superseded by the \$1.8 trillion news at the end of the week.

U.S. Treasuries declined amid the risk-on mindset among investors, pushing yields higher in a curve-steepening trade. The 2-yr yield increased three basis points to 0.16%, and the 10-yr yield increased eight basis points to 0.78%. The U.S. Dollar Index fell 0.9% to 93.06. WTI crude futures rose 9.9%, or \$3.59, to \$40.64/bbl.

On **Monday**, major indexes rose with the help of Technology stocks. The S&P 500 gain +3.8%, the Nasdaq Composite up +4.6%, and the Dow Jones Industrial Average rise by +3.3%.

Small cap / value / cyclical stocks however outperformed the technology stocks as investors felt more confident in a recovery, this seeing The Russell 2000 itself rally 6.4%.

Both Apple and Amazon stock outperformed ahead of their events. Apple released their iPhone 12 and Amazon kicked off Prime Day.

The market also seemed optimistic ahead of earnings reports from several banks this week.

The market advanced even though the White House's latest \$1.8 trillion stimulus package suggestion was rejected by House Democrats and Senate Republicans.

The information technology, communication services, and consumer discretionary sectors finished with strong gains. The materials sector closed with a 0.2% loss.

On **Tuesday**, the market choked following the release of several earnings reports from banks. JPMorgan Chase and Citigroup had to put less money aside for defaulted loans as they outperformed expectations,

Banks also presented caution economic recovery with JPMorgan Chase stressing the need for further fiscal stimulus.

The market fell following some concerning vaccine developments. Johnson & Johnson paused their vaccine trials after a participant became sick, and Eli Lilly stopped their antibody trials for safety reasons. The Dow Jones and S&P 500 dropper by 0.6%. The Nasdaq was down 0.1%. The financial sector was down 1.9%.

Real estate, energy, and industrials closed lower. Communication services posted small gains.

On **Wednesday**, uncertainty around fiscal stimulus pushed the markets lower. The S&P 500 was down 0.7%. and the Nasdaq dropped 0.8%. The Dow Jones pushed back 0.6%.

These losses seemed partially attributed to comments by Treasury Secretary Steve Mnuchin's that additional financial stimulus would be unlikely before the election.

Bank of America and Wells Fargo both reported losses and this saw their stocks fall in daily trading. In general, bank stocks dragged on the market.

Goldman Sachs, however, blew out earnings expectations, thanks to their strong trading business.

Overall, the financial sector fell 1.2% in daily trading.

Communication services, real estate, and consumer discretionary all closed in negative territory.

Energy, Industrials, and materials all posted gains. Energy got a boost from higher oil prices and rumours of a merger or acquisition involving Concho Resources

On **Thursday**, COVID concerns in Europe had the market struggling. Many European countries are imposing additional restrictions and lockdowns to cope with rising infection rates. Due to this, the S&P 500 was down 0.2%. The Nasdaq dropped 0.5% due to weakening technology stocks. The Dow Jones dropped 0.07%.

A rise in jobless claims points towards continued weaknesses in the labour market, and with additional fiscal stimulus still uncertain, investors are worried about this rising metric.

Energy, financials, and real estate all posted strong gains in daily trading and helped the S&P 500 minimize its losses. Communication services, healthcare, and information technology sectors however all posted losses.

United Airlines Holdings struggled following a disappointing earnings report and continued pessimism around the recovery of the airline industry.

On **Friday**, better-than-expected retail sales results helped stocks close with some gains. The S&P 500 was up 0.01%. The Dow Jones climbed 0.4%. The Nasdaq however, fell by 0.4% with the information technology sector finishing in negative territory.

The worst losses of the day were made by the energy sector that saw a fall of 2.3%.

The real estate sector and consumer discretionary sector also finished lower.

The industrials, healthcare, utilities, and materials sectors were the day's biggest winners, with each of them outperforming the S&P 500.

Retail sales increased 1.9% in September, beating the initial estimate of a 0.7% gain.

However, on a negative note, manufacturing production declined 0.3% in September, marking the first manufacturing decline in five months.

In individual company news, Pfizer shares climbed after the company announced that they would likely be able to apply for emergency-use authorization of their COVID vaccine by late November.

Time (GMT+3)	Event	Impact
17:05 18.10	ECB President Lagarde Speaks	Medium
05:59 19.10	GDP q/y	High
All day 19.10	OPEC-JMMC Meetings	High
16:00 19.10	Fed Chair Powell Speaks	High
16:45 19.10	ECB President Lagarde Speaks	Medium
18:30 19.10	BOC Business Outlook Survey	Medium
03:00 20.10	RBA Assist Gov Kent Speaks	Medium
04:30 20.10	Monetary Policy Meeting Minutes	High
10:00 21.10	CPI y/y	Medium
16:10 21.10	MPC Member Ramsden Speaks	Medium
16:30 21.10	CPI m/m	High
16:30 21.10	Core Retail Sales m/m	Medium
16:30 21.10	Retail Sales m/m	Medium
13:25 22.10	BOE Gov Bailey Speaks	High
16:30 22.10	Unemployment Claims	Medium
18:00 22.10	CB Leading Index m/m	Medium
01:45 23.10	CPI q/q	Medium
11:15 23.10	French Flash Services PMI	High
11:15 23.10	French Flash Manufacturing PMI	Medium
11:30 23.10	German Flash Manufacturing PMI	High
11:30 23.10	German Flash Services PMI	High
12:00 23.10	Flash Manufacturing PMI	Medium
12:00 23.10	Flash Services PMI	Medium
12:30 23.10	Flash Manufacturing PMI	Medium
12:30 23.10	Flash Services PMI	Medium
17:45 23.10	Flash Manufacturing PMI	Medium
18:00 23.10	MPC Member Ramsden Speaks	Medium