

Weekly Market Update (October 19 - October 23, 2020)

The soap opera around a pre-election fiscal stimulus continues

On **Monday**, all major indexes declined due to pessimism around fiscal stimulus with the S&P 500 down 1.6%, the Nasdaq was fell 1.7% and the Dow Jones dropped 1.4%.

House Speaker Nancy Pelosi and Treasury Secretary Steve Mnuchin continued discussions about fiscal stimulus over the weekend; however, Pelosi gave them a Tuesday deadline to agree on a pre-election deal.

With this news, all 11 of the S&P 500's sectors finished in negative territory, as traders began selling off stocks across the board.

Comparatively, aviation stocks climbed following reports that daily passenger levels reached one million for the first time since March.

In other positive news British pharmaceutical company AstraZeneca could have a Covid-19 vaccine available after Christmas.

In economic news, homebuilders continue confidence in the housing market, saw the NAHB Housing Market Index increase to a record-breaking 85 for October 2020.

On **Tuesday**, optimism for a fiscal stimulus deal had the markets rising as a result. Comments from Speaker Pelosi the previous say, suggested that Pelosi and Mnuchin may reach a fiscal stimulus deal before the election. As a result, the S&P 500 was up 0.5%.

The Dow Jones rose 0.4%, and the Nasdaq pushed up 0.3%.

Most sectors finished in positive territory.

Rising oil prices helped the energy sector perform strongly during the day.

Additionally, the market was helped by the financial stocks and primarily by Alphabet, whose shares rose despite the antitrust lawsuit filed against them by the Department of Justice.

Healthcare news saw some positivity as reports suggested that biotechnology company Moderna's COVID-19 vaccine could be available in December. Additionally, there were better-than-expected earnings reports from both Procter & Gamble and Travelers.

IBM and Philip Morris International, both traded lower on disappointing earnings results.

On **Wednesday**, the Dow Jones declined 0.4%, the S&P 500 dropped 0.2% and the Nasdaq fell 0.3%. 10 out of the 11 sectors closed in negative territory, with the greatest losses seen in the energy sector as oil prices fell.

Communication services posted gains in daily trading.

Facebook, Alphabet, Twitter, and Snapchat all posted strong earnings reports.

Netflix stock fell after underperforming expectations around new subscriber growth.

PayPal climbed 5.5% after they announced they would be implementing cryptocurrency services.

Verizon, Abbott Labs, and Texas Instruments all posted daily losses despite beating earnings expectations.

On **Thursday**, speaker Pelosi comments that the stimulus package was “just about there “saw major indexes climb. The Dow Jones was up 0.5%, and the Nasdaq climbed 0.2%. The S&P 500 saw 0.5% gains.

Value, cyclical, and small-cap stocks all outperformed on optimistic stimulus news.

Pelosi’s comments also had the financial, healthcare, energy and utilities sectors all making strong gains.

However, the information technology sector finished in negative territory thus affecting the tech-loaded Nasdaq.

The consumer staples and real estate sectors were also down.

Positive economic news helped the market as well.

Initial jobless claims for the week ending in October 17 fell to 787,000.

Existing home sales climbed 9.4% month on month in September.

Finally, the Leading Economic Index added 0.7% month on month in September and this shows that the economy is continuing to recover the pace of economic recovery has slowed down.

On **Friday**, the S&P 500 was up 0.3% and the Nasdaq rose 0.4% however the Dow Jones declined 0.1%. The Dow Jones was pulled down by Intel and American Express after they both underperformed in earnings reports.

Intel’s loss in quarterly revenue from enterprise and government clients saw their earnings fall. American Express’s also missed profit expectations.

Among all S&P 500 sectors, energy was the only one to close in negative territory as oil prices fell.

American biopharmaceutical company Gilead Sciences gained in daily trading after the FDA approved their COVID-19 drug that was used on President Trump.

In economic news, the manufacturing sector showed strength as the Markit Manufacturing PMI rose to 53.3 in October 2020. Additionally, the Markit Services PMI climbed to 56 in October.

Earnings Reports Summary

- Netflix attracted 2.2 million new paid streaming subscribers in the third quarter, significantly less than the expected 3.3 million new subscribers. Netflix attributes the slowdown in subscriber growth to a “pull-forward effect” following their blowout first quarter.
- IBM revenue declined by 2.5% in the third quarter. This is the company’s third consecutive quarter of revenue declines.
- Verizon added significantly more wireless post-paid users than expected. The company reported 553,000 wireless post-paid net additions and topped the 475,000 estimates.
- Intel’s third-quarter revenue and earnings fell as they lost revenue from enterprise and government clients.
- American Express’s third-quarter profit missed expectations.
- Procter & Gamble reported a 9% revenue increase during the first fiscal quarter. Much of their fiscal first-quarter revenue growth was attributed to increased demand for their laundry and cleaning supplies.
- Snapchat reported one of their best quarters in three years and reached a record level of subscriber and sales growth in the third quarter. Users seemed attracted to the service’s new augmented reality addons. Snapchat was also able to attract new advertising dollars.
- Abbot Laboratories reported \$9 billion in sales and grew quarterly sales 10% during the last year. The company’s rapid COVID-19 test significantly helped sales growth and allowed the company to raise their profit guidance for 2020.
- Biogen’s revenue disappointed investors. At just \$13.4 billion, Biogen’s revenue stream was hurt by declining demand for their multiple sclerosis treatment due to generic competition.

Time (GMT+3)	Event	Impact
18:00 26.10	New Home Sales	Medium
16:30 27.10	Core Durable Goods Orders m/m	Medium
16:30 27.10	Durable Goods Orders m/m	Medium
18:00 27.10	CB Consumer Confidence	Medium
04:30 28.10	CPI q/q	High
04:30 28.10	Trimmed Mean CPI q/q	High
18:00 28.10	BOC Monetary Policy Report	High
18:30 28.10	BOC Rate Statement	High
18:00 28.10	Overnight Rate	Medium
19:15 28.10	BOC Press Conference	High
----- 29.10	BOJ Outlook Report	High
----- 29.10	Monetary Policy Statement	High
----- 29.10	BOJ Press Conference	Medium
16:30 29.10	Advance GDP q/q	High
16:30 29.10	Advance GDP Price Index q/q	Medium
16:30 29.10	Unemployment Claims	Medium
16:45 29.10	Main Refinancing Rate	High
16:45 29.10	Monetary Policy Statement	High
17:30 29.10	ECB Press Conference	High
18:00 29.10	Pending Home Sales m/m	Medium
11:00 30.10	German Prelim GDP q/q	Medium
12:00 30.10	KOF Economic Barometer	Medium
16:30 30.10	GDP m/m	High
16:30 30.10	Core PCE Price Index m/m	Medium
16:30 30.10	Personal Spending m/m	Medium
17:45 30.10	Chicago PMI	Medium
18:00 30.10	Revised UoM Consumer Sentiment	Medium
05:00 31.10	Manufacturing PMI	Medium