

Weekly Market Update (October 26 - October 30, 2020)

Stocks fall on Big Tech earnings hangover and record Covid cases

On **Monday**, The Nasdaq dropped 1.6%, the S&P 500 fell 1.9% and the Dow Jones was down 2.3%.

These major indexes were hit after daily new coronavirus case were at a record high.

With continued uncertainty around fiscal relief and the continuous rise of COVID-19 cases, the industrials, cyclical energy, financials, and materials sectors were the hardest hit in daily trading.

In economic news, new home sales unexpectedly declined 3.5% month on month in September.

This decline is partly due to the ever-rising home prices making it more challenging for potential home buyers to find an affordable home.

On **Tuesday**, the rising COVID-19 infection rates continued to have a negative impact on the market.

The Dow Jones lost 0.8% and the S&P 500 fell 0.3%. The technology sector was surprisingly the strong performer and thus helped the Nasdaq gain 0.6%.

In the technology sector, Xilinx stock climbed after the company announced their acquisition by Advanced Micro Devices.

Due to the United States' record weekly average COVID-19 cases on Monday, the market remained very pessimistic.

Additionally, many hard-hit European countries including the United Kingdom have implemented new restrictions to curb the further spread of the virus.

This pessimism was reflected in October's Consumer Confidence index, which unexpectedly dropped. While consumers expressed confidence about current conditions, they were concerned about future conditions. On a more positive note, home price growth increased in August, and durable goods orders increased more than expected in September.

On **Wednesday**, Germany and France announced new lockdowns in response to rising COVID-19 infection rates which caused the markets to drop significantly.

The Nasdaq dropped 3.7%, the Dow Jones pulled back 3.4% and the S&P 500 fell 3.5%.

All sectors fell in daily trading, with information technology falling the most.

Many earnings reports beat expectations, however, the market did not react much towards the positive earnings news.

The trade deficit also narrowed in September however investors remained focused on the possibility of renewed lockdowns.

Pfizer shares fell after the company announced they would delay the release of their vaccine trials. Alphabet, Facebook, and Twitter shares all dropped as their CEOs testified before the Senate Commerce Committee.

On **Thursday**, major indexes were on the upward move in anticipation of the Big 4s' - Amazon, Apple, Facebook, Alphabet - earnings reports following market close.

The Nasdaq rose 1.6%, the S&P 500 was up 1.2% and the Dow Jones grew 0.5%.

With Pinterest posting strong earnings report, there was optimism that Amazon, Apple, Facebook, and Alphabet would follow suit and report an increase in advertising spending.

Alphabet and Facebook both helped the communication services sector grow 2.9%.

The energy sector was the strongest performer in daily trading, climbing 3.2%.

The healthcare sector was the only sector to fall.

In economic news, initial jobless claims for the week ending on October 24 fell to 751,000, and September's home sales declined 2.2%. Third quarter US GDP climbed to a record 33.1%. This growth is largely attributed to significant increases in personal spending.

On **Friday**, uncertainty around the election and rising COVID-19 cases continued to depress investor sentiment.

This negativity caused major indexes fall as the S&P 500 dropped by 1.2%, the Nasdaq was down 2.5% and the Dow Jones declined 0.6%.

The index dropped 6.4% this week and clocked in its worst weekly performance in months.

In total, all indexes declined more than 2% over the course of October 2020.

Economic data was largely positive on Friday.

Spending rates and personal income were up in September, but this news was not enough to help the market recover previous losses.

Technology stocks fell after earnings reports from Amazon, Apple, Facebook, Twitter, and Alphabet, even though their overall earnings were neutral to positive. Investors however seemed unhappy with Twitter's slow user growth and Apple's declining iPhone sales.

Earnings Reports

- 3M reported earnings-per-share of \$2.43 in the 3rd quarter and beat per share earnings expectations. They reported a revenue of \$8.4 billion and due to increased demand for their medical equipment their sales grew.
- Caterpillar beat earnings expectations and reported 3rd quarter earnings-per-share of \$1.34. Their revenue came in at \$9.88 billion. The company predicts end-user demand will rise in the 4th quarter.
- General Electric reported a 3rd profit. Their CEO's cash preservation strategy seemed to be working. General Electric reported \$514 million in industrial free cash flow.
- UPS beat 3rd quarter earnings expectations and reported earnings of \$2.28 per share. Their revenue came in at \$21.2 billion, higher than the estimated \$20.3 billion.
- Chevron's cost-cutting measures helped the company beat earnings expectations for the 3rd quarter. Chevron reported earnings-per-share of 11 cents, compared to the expected earnings-per-share loss of 27 cents. Chevron's revenue was down 26% over the past year and clocked in at \$27 billion

High Tech Earnings Reports

- Amazon's sales increased by an impressive \$26 billion in the 3rd quarter. The company also increased their staff by 50% over the past year. With holiday shopping ramping up sales, Amazon expects sales of more than \$112 billion in the 4th quarter.
- Apple's iPhone sales fell 21% in the 3rd quarter. Since Apple unveiled their iPhone 12 in October, the company is under pressure to deliver much better 4th quarter sales results.
- Alphabet reported strong advertising revenue. YouTube specifically saw advertising revenue increase 32%.
- Facebook's revenue grew 21% in the 3rd quarter, and their total users grew in most markets. However, the US market was the one exception, where daily users dropped 1 million to 255 million.

Time (GMT+2)	Event	Impact
15:00 02.11	USD ISM Manufacturing PMI(Oct)	High
03:30 03.11	AUD RBA Rate Statement	High
13:00 03.11	USD Presidential Election	High
23:50 03.11	JPY BoJ Monetary Policy Meeting Minutes	High
13:15 04.11	USD ADP Employment Change (Oct)	High
15:00 04.11	USD ISM Services PMI(Oct)	High
10:00 05.11	EUR Retail Sales (YoY)(Sep)	High
12:00 05.11	GBP Bank of England Monetary Policy Report	High
12:00 05.11	GBP BoE Asset Purchase Facility	High
12:00 05.11	GBP Monetary Policy Summary	High
12:00 05.11	GBP BoE Interest Rate Decision	High
19:00 05.11	USD Fed Interest Rate Decision	High
19:00 05.11	USD Fed's Monetary Policy Statement	High
00:30 06.11	AUD RBA Monetary Policy Statement	High
13:30 06.11	USD Nonfarm Payrolls (Oct)	High
13:30 06.11	CAD Unemployment Rate (Oct)	High
13:30 06.11	CAD Net Change in Employment (Oct)	High
14:00 06.11	CAD BoC's Governor Macklem speech	High