

MORNING NEWS, MARKET VIEW

Monday 23th November, 2020

A LOOK BACK AT THE ECONOMIC DATA

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		Period	HSBC	Consensus	Actual	Prior	Surprise vs Consensus
Monday 16 November							
Mainland China	Industrial production (year)	Oct	6.8%	6.7%	6.9%	6.9%	positive
Mainland China	Retail sales (year)	Oct	4.1%	5.0%	4.3%	3.3%	negative
Mainland China	Fixed assets inv'ment ex. rural (ytd)	Oct	1.3%	1.6%	1.8%	0.8%	positive
Tuesday 17 November							
Hungary	Rate decision (%)	-	0.60%	0.60%	0.60%	0.60%	in-line
Hungary	Overnight deposit rate (%)	-	-0.05%	-0.05%	-0.05%	-0.05%	in-line
US	Retail sales advance (month)	Oct	0.5%	0.5%	0.3%	1.6%	negative
US	Industrial production (month)	Oct	0.8%	1.0%	1.1%	-0.4%	positive
Japan	Merchandise trade balance (JPYbn)	Oct	-199.7	300.0	872.9	675.0	positive
Japan	Exports (year)	Oct	-6.8%	-4.5%	-0.2%	-4.9%	positive
Japan	Imports (year)	Oct	3.6%	-8.8%	-13.3%	-17.2%	negative
Wednesday 18 November							
UK	CPI (year)	Oct	0.6%	0.5%	0.7%	0.5%	higher
UK	Core CPI (year)	Oct	1.3%	1.3%	1.5%	1.3%	higher
UK	RPI (year)	Oct	1.2%	1.2%	1.3%	1.1%	higher
Thailand	Benchmark interest rate (%)	-	0.50%	0.50%	0.50%	0.50%	in-line
Eurozone	HICP (year)	Oct, final	-0.3%	-0.3%	-0.3%	-0.3%	in-line
Eurozone	Core HICP (year)	Oct, final	0.2%	0.2%	0.2%	0.2%	in-line
Thursday 19 November							
Indonesia	7 Day reverse repo rate (%)	-	4.00%	4.00%	3.75%	4.00%	lower
Philippines	Overnight borrowing rate (%)	-	2.25%	2.25%	2.00%	2.25%	lower
Turkey	One week repo rate (%)	-	14.00%	15.00%	15.00%	10.25%	in-line
South Africa	SARB interest rate decision (%)	-	3.50%	3.50%	3.50%	3.50%	in-line
US	Initial jobless claims (000s)	Wk 14 Nov	-	700	742	711	negative
US	Philadelphia Fed business outlook (index)	Nov	-	22.5	26.3	32.3	positive
Friday 20 November							
UK	GfK consumer confidence (index)	Nov	-34	-34	-33	-31	positive
Mainland China	Policy rate (%)	-	3.85%	3.85%	3.85%	3.85%	in-line
UK	Public finances (PSNCR) (GBPbn)	Oct	-	-	19.8	33.4	-
UK	Public sector net borrowing (GBPbn)	Oct	-	31.5	21.6	27.9	lower
UK	PSNB ex banking groups (GBPbn)	Oct	32.0	30.0	22.3	28.6	lower
UK	Retail sales ex auto fuel (month/year)	Oct	-0.1%/5.1%	0.0%/5.9%	1.3%/7.8%	1.5%/6.4%	positive/positive
UK	Retail sales inc auto fuel (month/year)	Oct	-0.5%/3.9%	-0.3%/4.1%	1.2%/5.8%	1.4%/4.6%	positive/positive
Eurozone	Consumer confidence (index)	Nov, flash	-	-18.0	-17.6	-15.5	positive

Source: Bloomberg, HSBC estimates. Notes: Most important indicators in bold. For final releases, the prior equals the flash release for the same period.

LAST WEEK: EQUITIES, BONDS, US, EUROPE, OIL, GOLD

Good morning,

EQUITIES

US



(1) The Energy, Financials and Industrials were the only winners (and had multi-week consecutive rallies) (SOURCE: BLOOMBERG).

The major indexes ended mixed (S&P 500 -0.8%, the high-growth tech stocks that make up the largest weightings of the index continued to lag, DOW JONES-0.8%, NASDAQ +0.2%), as good news on the coronavirus vaccine front continued to be offset by worries about the worsening of the pandemic in most parts of the country. The DOW JONES, the S&P MIDCAP 400 Index, and the SMALL-CAP Russell 2000 Index all reached new intraday highs in the first part of the week before surrendering some of their gains. Tesla gained +19.86% after it was announced that the electric car maker would be included in the S&P 500 from December. Energy shares outperformed as oil prices rose on hopes for an end to the pandemic in 2021, as well as signals that OPEC and other major oil exporters would delay a global production increase planned for January. Health care and

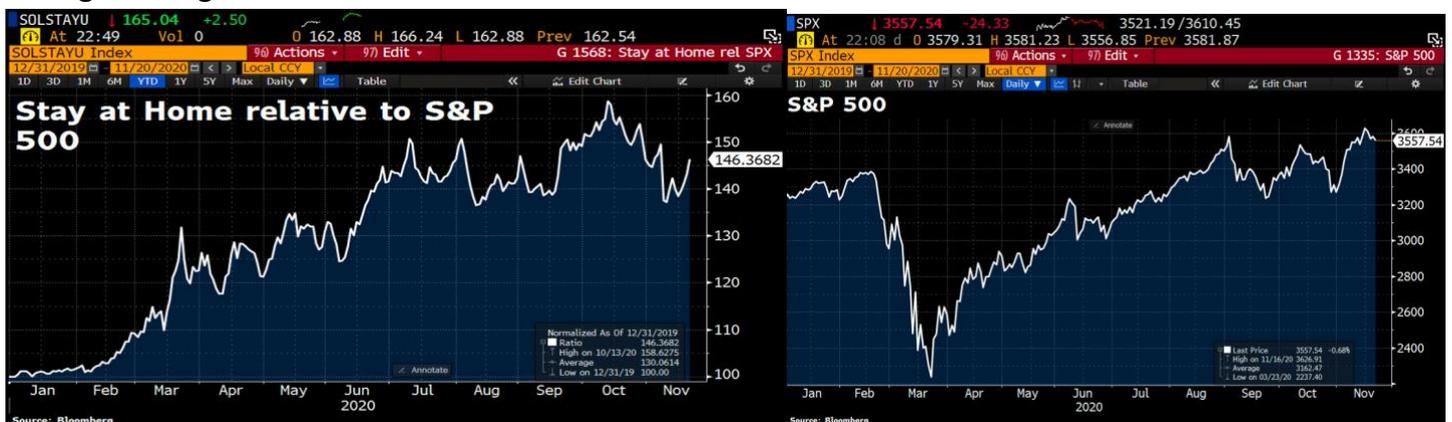
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utilities shares lagged. On Monday, Moderna reported early data showing that its mRNA vaccine was 94.5% effective in preventing coronavirus infections while also appearing to prevent severe disease in the few test subjects who did contract the virus. Investors seemed further encouraged that Moderna's vaccine confirmed the efficacy of the mRNA approach also used by Pfizer in partnership with Germany's BioNTech. Indeed, on Wednesday, **the two companies announced revised data showing that their vaccine was 95% effective, a higher level than the 90%+ initially reported.** On Friday morning, **Pfizer announced that it had filed for emergency use authorization of the vaccine with the U.S. Food and Drug Administration.** The latest on the vaccine from the weekend is that the US seems to be targeting December 11th or 12th for the start of the rollout, according to the head of the Warp Speed program. **Overnight, the Telegraph has reported that the UK may give emergency approval to Pfizer's vaccine as soon as this week.**

Further evidence emerged during the week that the pandemic and its drag on the economy would get worse before the vaccines would become widely available, however. **New local shutdowns and restrictions were announced across the country as case counts rose and hospital systems grew more stressed.** Sentiment seemed to take a particular blow from news Wednesday that the **New York City public school system, the nation's largest, would be switching to remote learning.** In a grim milestone, the number of **U.S. fatalities attributed to the disease crossed 250,000.**

Around the same time, however, **Treasury Secretary Steven Mnuchin announced in a letter to the Federal Reserve that he would allow several of the central bank's emergency lending programs to expire at the end of the year.** Mnuchin cited improved financial conditions in requesting the **return of USD 455 billion of unused funding,** but in a rare move, Fed officials quickly released a statement announcing their disagreement with the decision, citing a "still-strained and vulnerable economy." On Friday, **Mnuchin stated that he planned instead to use the money to fund direct grants to workers and small businesses,** which may have muted the impact of the decision on markets.

The week's economic data arguably provided evidence for the Fed's continued caution. **Weekly jobless claims rose for the first time in over a month, from 711,000 to 742,000.** Continuing claims through state insurance programs continued to fall, from 6.8 million to 6.4 million, although the drop was mostly offset by rising claims through a federal program providing extended benefits, from around 4.1 million to 4.4 million. **Retail sales excluding autos in October missed expectations and grew at the slowest pace (0.2%) since April.** Industrial production rose a bit more than expected in October, but **regional manufacturing gauges indicated slowing expansion.** The housing sector remained the standout in the recovery, with **sales and construction indicators hitting their highest levels since 2006–2007.**



(2) US: Stay at Home shares have gained ground this week vs S&P 500 despite positive vaccine news (SOURCE: BLOOMBERG)

(3) US: S&P 500 closed 0.7% lower to end down week as traders weighed a conflict between the White House and Federal Reserve over emergency lending programs. Concern over rising Covid cases adds to the Risk-Off mood (SOURCE: BLOOMBERG).

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EUROPE

Shares in Europe rose for a third consecutive week amid optimism on potential coronavirus vaccines. However, concerns that soaring rates of infection might trigger harsher restrictions curbed gains. In local currency terms, the **STOXX Europe 600 Index ended the week 1.15% higher, while the DAX 30 advanced 0.46%, the CAC 40 gained 2.15%, the FTSE MIB climbed 3.84% and the FTSE 100 Index added 0.55%.**

Core eurozone bond yields fell slightly on the week. **Yields rose at the start, with the German 10-year bund yield moving from -0.55% to about -0.52%**, after more positive coronavirus vaccine news spurred a sell-off in debt that the market views as a haven. **Hungary and Poland blocked the European Union's (EU) planned EUR 1.8 trillion fiscal package, which includes a large fund to help economies weather the damage caused by the coronavirus.** They oppose a mechanism that would allow the EU to block disbursements to countries violating its rule of law principles.

In terms of the latest on the virus, **as cases are stabilising in Europe, various governments are now planning to exit their lighter lockdowns.** The Telegraph has reported that the UK will announce today that quarantine restrictions will ease in time for Christmas so that families can travel to high-risk countries to visit relatives while Bloomberg has reported that PM Johnson will announce a massive increase in community testing as part of a plan to reintroduce tiered restrictions. The French government is planning a three-phase reduction in lockdown measures in December. Italy is also mulling over the temporary easing of lockdown restrictions in the run-up to Christmas to allow shops to open for longer hours in the worst-hit regions.

BONDS & CREDIT

Sovereign bonds gained even with the positive vaccine news as yields dropped back from close to their pandemic highs. US 10yr Treasury yields fell -7.2bps (-0.5bps Friday) to finish at 0.824% as 10yr Gilt yields dipped -3.6bps (-2.1bps Friday) to 0.30%. 10yr Bund yields were -3.6bps (-1.2bps Friday) to -0.58%. Elsewhere, credit spreads in the US and Europe tightened further on the week. **US HY cash spreads were -11bps tighter, while European HY cash spreads tightened -18bps. US IG cash spreads tightened -5bps and IG was -4bps in Europe.**

GOLD

New York-traded gold for December delivery did a final trade of \$1,869.75 an ounce, after settling the official session at \$1,872.40, up \$10.90, or 0.6%. For the week, it lost \$16.45, or 0.9%. **The spot price of gold, which reflects real-time trades in bullion, last traded at \$1,871.07 on Friday, up \$4.77, or 0.3%. For the week, it lost 0.9%.**

OIL

For the week, WTI rose \$2.02 or 5% and the Brent rose \$2.18, or 5.1%. The ongoing winning streak comes just days after the Energy Information Administration reported that U.S. stockpiles of crude rose less than expected last week, though gasoline supplies jumped. **Inventories of U.S. crude rose by 800,00 barrels for the week ended Nov. 13, compared with expectations for a rise of 1.65 million barrels.**

THIS WEEK – 5 THINGS YOU NEED TO KNOW

In the coming holiday-shortened week stock markets are likely to remain focused on the twin themes of brightening **prospects for a coronavirus vaccine against the rapid spread of the pandemic across the United States. Economic data, including reports on personal spending and consumer confidence will show whether the resurgent virus is prompting concerns over the economic outlook ahead of Black Friday, the kick-off event**

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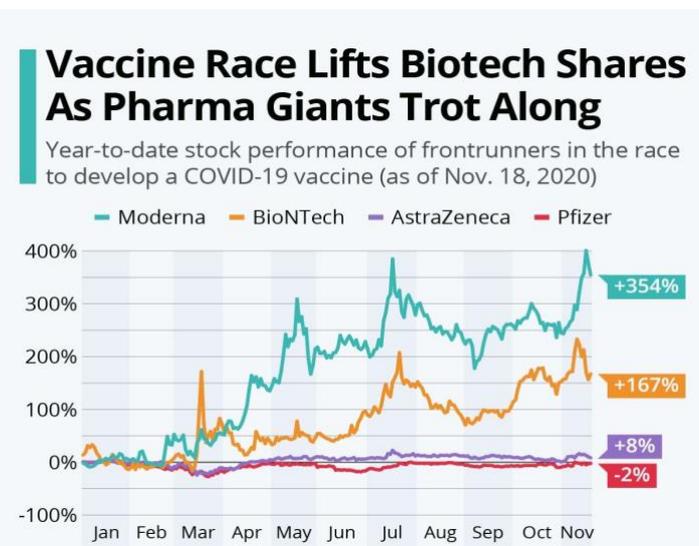
for the holiday shopping season. **PMI data from the euro zone will likely point to a significant decrease in business activity as the new lockdown measures will be fully reflected in the figures.** Elsewhere, the **Brexit negotiations will be taking place virtually after one of the negotiators tested positive for Covid-19, a virtual G20 summit will be taking place this weekend, and it's the Thanksgiving holiday in the United States.**

1. U.S. economic data & Central banks

The **U.S. is due to release data on consumer confidence on Tuesday.** Wednesday will be a packed day on the economic calendar with data on personal spending expected to point to a slowdown in October, while figures on **third quarter GDP** are expected to be unrevised. Other reports include figures on **initial jobless claims**, which will be closely watched after an **unexpected increase last week signaled that the recovery in the labor market may have stalled.** There will also be data on the trade balance, durable goods orders, new home sales and consumer sentiment ahead of Thursday's Thanksgiving holiday.

Later Wednesday, the **Federal Reserve will publish the minutes** of its last meeting with investors on the lookout for any discussion around potential tweaks to its asset purchase program. Meanwhile, appearances by regional Fed presidents **Thomas Barkin and Charles Evans on Monday and James Bullard on Tuesday will also be in focus.** Both the Riksbank and the Bank of Korea will also be announcing their latest monetary policy decision on Thursday.

2. Vaccine optimism vs. virus reality



Beginning with the Covid-19 pandemic, the last two weeks have brought some very positive vaccine news, with both the **Pfizer/BioNTech** and the **Moderna vaccines reporting efficacy rates of over 90%.** Both vaccines could be ready for U.S. authorization and distribution within weeks. Investors will be keeping an eye out for any further vaccine developments and their effectiveness, though with the **widespread rollout still some time away, focus in the meantime will remain on rising case numbers in a number of key global regions and whether further restrictions are imposed as a result.** Stock market investors are weighing the risks from the fast spreading virus and a potentially robust

economic recovery once a vaccine is widely deployed.

But the pandemic remains an immediate threat with the U.S. recording its **12th million COVID-19 case on Saturday**, capping a series of days with record-breaking infections. Meanwhile, **millions of Americans are expected to travel for the upcoming Thanksgiving holiday**, ignoring warnings from health officials about furthering the spread of the virus.

3. Black Friday

In a normal year, U.S. shoppers would be gearing up for "Black Friday," the traditional start of the holiday shopping season. But not this year. While growing coronavirus cases make the familiar scenes of consumers crowding into stores to snap up bargains unlikely, online orders are expected to surge.

Oxford Economics expects holiday sales to rise only 0.6% from a year ago due to a confluence of coronavirus, suffering incomes and a weak job market. **Macy's expects a tough time with a possible 20% sales decline over**

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the fall. But it's not all doom and gloom: Walmart forecasts a promising holiday season and upcoming earnings results from Nordstrom, Gap and Dollar Tree will offer more insights.

4. Euro zone PMI pessimism

Preliminary readings of November business activity from the euro zone on Monday are expected to be dismal amid the resurgent coronavirus and the second round of lockdown measures put in place to contain it. While last month showed a small tick down for most indicators, these readings are expected to show a significant decrease. **This will be largely due to the service sector,** which is where all restrictive measures have been introduced so far, but there is likely to also be some impact in the manufacturing sector. **Otherwise, highlights will include the Ifo's business climate indicator for November in Germany.**

5. Brexit rollercoaster

Britain appears to be on the verge of reaching a post-Brexit trade deal with the European Union that would regulate their relationship **after the transition period ends on Jan. 1, 2021 just six weeks away.** Brexit deadlines have come and gone several times in the past, but negotiators are making a final push and the consensus is London and Brussels will come to some sort of agreement possibly a bare-bones deal with details to be decided down the line. **Recent gains in sterling and UK stocks imply assets have been buoyed up by hopes for a vaccine and a Brexit deal, but they could be in for a bumpy ride. If no trade deal is reached by that point, then trade between the UK and the EU will default to WTO terms.** EU want guarantees that the UK will maintain fair competition in return for market access. **Fishing is another key issue, with the EU seeking continued access to British fishing waters next year,** while the governance of any agreement and how it is enforced also remains a sticking point.

From central banks there isn't a great deal taking place this week, though we will get the minutes from the FOMC's November meeting on Wednesday. Our economists believe the focus will be on what the committee are thinking about in terms of changes to QE and perhaps on shaping future forward guidance. **Their base case is that the Fed would prefer to gather a bit more information on the fiscal outlook and the economy before eventually extending the duration of purchases early next year.**

IN ASIA, THIS MORNING...

Asian shares rose on Monday, pushing a broad regional index to a record high as investors **pinned their hopes for economic revival on coronavirus vaccines,** even as the world contends with surging case numbers and delays to fresh U.S. stimulus. Investors' fresh optimism comes after a top official of **the U.S. government's vaccine development effort said Sunday that the first vaccines could be given to U.S. healthcare workers and others recommended by mid-December.** Despite the grim backdrop of accelerating COVID-19 infections in the United States, the forecast helped to raise hopes that **lockdowns that have paralysed the global economy could be nearing an end.**

In Asia, Australia's PMIs printed better than last month with manufacturing at 56.1 (vs. 54.2) and services at 54.9 (vs. 53.7) bringing the composite reading to 54.7 (vs. 53.5 expected). Meanwhile, **markets in the region started the week on the front foot** with the SHANSHAI COMPOSITE (+1.09%), KOSPI (+1.92%), HANG SENG (+0.03%) and the ASX 200 (+0.34%) were all up.

In other overnight news, **Reuters has reported that the US is close to issuing a list of 89 Chinese companies (aerospace and other sectors) that have military ties and would be unable to access US technology exports.**

ECONOMIC CALENDAR OF THE WEEK

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Country and Territories / Indicator	Prior	HSBC Consensus	
Monday, 23 November			
08:15 GMT ★ France Markit manufacturing PMI (Nov, flash, index)	51.3	50.4	-
08:15 GMT ★ France Markit services PMI (Nov, flash, index)	46.5	37.0	-
08:30 GMT ★ Germany Markit/BME manufacturing PMI (Nov, flash, index)	58.2	57.0	57.3
08:30 GMT ★ Germany Markit services PMI (Nov, flash, index)	49.5	43.0	47.5
09:00 GMT ★ Eurozone Markit manufacturing PMI (Nov, flash, index)	54.8	52.8	54.2
09:00 GMT ★ Eurozone Markit services PMI (Nov, flash, index)	46.9	38.5	44.1
09:30 GMT ★ UK Markit manufacturing PMI (Nov, flash, index)	53.7	50.5	51.6
09:30 GMT ★ UK Markit/CIPS services PMI (Nov, flash, index)	51.4	45.5	46.0
14:45 GMT ★ US Markit manufacturing PMI (Nov, flash, Index)	53.4	53.2	52.5
14:45 GMT ★ US Markit services PMI (Nov, flash, Index)	56.9	54.2	55.8
Tuesday, 24 November			
07:00 GMT Germany GDP (Q3, final, % q-o-q/y-o-y)	8.2/-4.2	8.2/-4.2	8.2/-
07:45 GMT France Business confidence (Nov, index)	90	76	-
07:45 GMT France Manufacturing confidence (Nov, index)	93	-	-
09:00 GMT ★ Germany IFO business climate (Nov, index)	92.7	91.9	90.9
12:00 GMT Brazil IBGE inflation IPCA-15 (Nov, % m-o-m/y-o-y)	0.94/3.52	0.45/3.85	0.78/4.19
12:00 GMT Mexico Bi-weekly CPI (H1 Nov, % bi-weekly/y-o-y)	0.16/4.09	0.60/4.01	-/-
15:00 GMT US Richmond Fed manufacturing index (Nov, Index)	29	-	-
Wednesday, 25 November			
13:30 GMT ★ US Real GDP (Q3, 2nd release, % q-o-q, annualised)	33.1	33.9	33.1
13:30 GMT ★ US Real consumer spending (Q3, 2nd release, % q-o-q, annualised)	40.7	42.7	-
13:30 GMT ★ US Initial jobless claims (Week 21 Nov, 000s)	742	-	-
15:00 GMT US University of Michigan sentiment (Nov, final, Index)	77.0	76.8	76.8
15:00 GMT US New home sales (Oct, 000s, annual rate)	959	955	970
Thursday, 26 November			
07:00 GMT Germany GfK consumer confidence (Dec, index)	-3.1	-7.0	-5.0
07:45 GMT France Consumer confidence (Nov, index)	94	92	-
Friday, 27 November			
07:45 GMT ★ France CPI (Nov, flash, % m-o-m/y-o-y)	0.0/0.0	0.1/0.1	-/-
07:45 GMT France GDP (Q3, final, % q-o-q/y-o-y)	18.2/-4.3	-/-	18.2/-
07:45 GMT France Consumer spending (Oct, % m-o-m/y-o-y)	-5.1/-1.3	-/-	-/-
08:30 GMT Sweden GDP (Q3, % q-o-q/y-o-y)	-8.3/-7.7	4.3/-3.5	-/-
10:00 GMT Eurozone Consumer confidence (Nov, final, index)	-	-	-
12:00 GMT ★ India GDP (Q3, % y-o-y)	-23.9	-7.9	-8.5
12:00 GMT India GVA (Q3, % y-o-y)	-22.8	-7.7	-7.1
Sunday, 29 November			
23:50 GMT Japan Retail sales (Oct, % m-o-m/ y-o-y)	-0.1/-8.7	-/-	-/-
During the week			
- UK Nationwide house prices (Nov, % m-o-m/y-o-y)	0.8/5.8	0.0/5.2	-/-

Source: Ft.com/Reuters/ Bloomberg/Investing/Daily FX/ Deutch Bank/ Boursorama/ JP Morgan

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