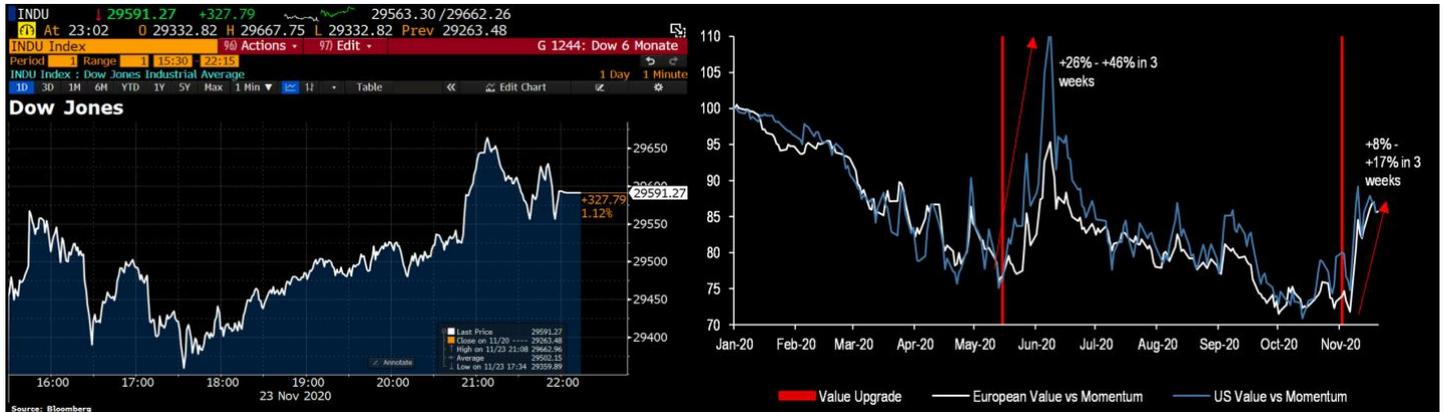


MORNING NEWS, MARKET VIEW

Tuesday 24th November, 2020



- (1) Stock markets cheered Yellen pick for Treasury as Yellen has pushed for additional fiscal spending amid pandemic. Former Fed chair has reputation as a dove, she once advocated that Congress should allow Fed to buy equities (SOURCE: BLOOMBERG).
- (2) Value: maybe a little too much too fast (SOURCE: JPM).

Good morning,

EQUITIES

EUROPE

Despite exhibiting some strength earlier in the day amid rising optimism about coronavirus vaccine, the major European markets settled lower on Monday as worries about rising new cases and fresh lockdown restrictions in several places across the continent weighed on sentiment. Investors were also closely tracking updates on Brexit deal, the latest batch of economic data from the euro area, and corporate earnings and other news, for direction. **The Stoxx 600 slid 0.2%, the FTSE 100 shed 0.28%, the DAX and France's CAC 40 edged down by 0.08% and 0.07%, respectively. Brent crude was up another +2.45% yesterday to close at a post-pandemic high of \$46.06/bbl. Banks were the other common winner with European banks up +1.67% while their US counterparts gained +2.50% as the reflation trade continues.**

After positive updates from Pfizer and Moderna, there is something more to cheer on the vaccine front now, with **AstraZeneca and Oxford University announcing that their vaccine for the novel coronavirus could be around 90% effective under one dosing regimen.** And in further good news, this vaccine only needs to be stored at a fridge temperature of 2-8C, unlike the other two which require the far lower transportation and storage temperatures of around -70C for Pfizer/BioNTech and -20C for Moderna, **so that's another positive when it comes to distribution, particularly for EM countries.** The FDA's outside advisers are slated to meet on Dec. 10 to review Pfizer's emergency-use application for its vaccine.

The main data release yesterday came from the flash PMIs, **where all the European countries saw their composite PMIs decline from their October levels.** The Euro Area composite PMI fell to 45.1 (vs. 45.6 expected), which puts it back below the 50-mark that separates expansion from contraction for the first time since June, while the composite PMI in France sunk to an even-lower 39.9 (vs. 42.0 expected). **Germany held up relatively better at 52.0** (vs. 50.5 expected), though this was also its lowest since June, and the UK slumped back below 50, albeit with a stronger-than-expected 47.4 reading (vs. 42.5 expected).

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UNITED-STATES

In spite of the good news, **global equity markets struggled to build on the initial good news even if there continued to be rotation into cyclicals. By the close, the S&P 500 was up +0.56%** with the NASDAQ up a lesser **+0.22%** as some of the **biggest components in the index including Apple (-2.97%), Netflix (-2.38%) and Alphabet (-0.50%) saw notable declines. Interestingly the equal weight S&P 500 index was up a very healthy +1.48%** and thus further illustrating the continued post vaccine theme away from the mega-caps. U.S. stocks also got an added boost after reports that Biden plans to nominate former Federal Reserve Chair, Janet Yellen, to become the next Treasury Secretary. **Futures for the S&P 500 rose 0.73% in afternoon Asian trade.**

ASIA

Stocks gained on Tuesday as the formal go-ahead for U.S. President-elect Joe Biden to begin his transition added to an already brighter mood from progress made on COVID-19 vaccines and the prospects for a speedy global economic revival. **The Nikkei 225 rose 2.50%, the KOSPI gained 0.58%, with the Bank of Korea due to hand down its policy decision on Thursday. The Nikkei reached its highest since May 1991, with energy, real estate and financial shares leading the advance. In Australia, the ASX 200 rose 1.26% and the Hang Seng Index edged up 0.14%.** Chief Executive Carrie Lam is due to deliver her annual policy address on Wednesday, as the city battles a fourth wave of COVID-19 cases. **The SHANGHAI COMPOSITE inched down 0.34% and the SHENZHEN fell 0.38%. U.S.-China tensions are up over reports that U.S. President Donald Trump's administration is pushing for fresh, hardline measures against China.**

BONDS

Core sovereign bonds sold off yesterday, with yields on 10yr Treasuries (0.85% +2.9bps), Bunds (0.58% +0.2bps) and Gilts (0.32% +1.6bps) all moving higher. They weren't the only safe havens to struggle, as **gold prices fell - 1.77% to a 4-month low of \$1,838/oz. That said, it was yet another record day for 10yr BTPs, with yields falling to an all-time low of 0.62%.**

US

Moving on to US politics and **overnight the General Services Administration acknowledged Joe Biden as the apparent winner of the presidential election with Mr Trump calling on his agencies to cooperate with this transition.** However, he said that he would continue to contest the outcome of the election. Yesterday, **President-elect Biden is planning to nominate former Fed Chair Janet Yellen to serve as his Treasury Secretary. The S&P rose +0.45% in the c.15 minutes after the story hit later in the session.** She had been viewed as one of the front runners for the position and is likely to be welcomed by both wings of the Democratic party. She is also likely to try to closely align fiscal and monetary policy, which **could mean quickly reversing the decision of current Treasury Secretary Mnuchin to shutter the Fed facilities that we highlighted last week.**

CORONAVIRUS

Yesterday PM Johnson announced that the second lockdown in England would end on December 2 and would instead be replaced by a return to the system of three regional tiers but with likely stricter tiers than before. The government hasn't actually said which region will be in which tier yet. The government said that they're seeking to allow more social contact over Christmas, but haven't yet announced details on what that will mean. **In the US, Covid-19 hospitalizations hit their highest levels since April 9, with over 12% of hospital beds filled with Covid-19 patients across the country. The Governor of North Carolina issued an order extending the state's mask mandate and kept restrictions in place until December 11.** Meanwhile New York State is reopening an emergency center on Staten Island where hospital capacity is strained. **The issues across the US highlight how while the vaccine offers much promise for normalizations by the summer, the intervening**

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months could see the economy strained further. Across the other side of world despite still low number of new infections, **Hong Kong's Chief Executive Lam has said that the city will shutter more indoor entertainment venues to control the spread of the virus.** Hong Kong reported 63 new cases yesterday. **In Japan, Osaka city will ask some bars and restaurants in its nightlife districts to close at 9pm for 15 days starting Friday while the country is also temporarily suspending a campaign to spur domestic travel.**

GERMANY

- **This morning, Germany's gross domestic product grew by a record 8.5% in the third quarter as Europe's largest economy partly recovered from an unprecedented plunge caused by the first wave of the COVID-19 pandemic** in spring, the statistics office said on Tuesday. The reading marked an upward-revision to an earlier flash estimate of 8.2% quarter-on-quarter growth in the July-September period and **followed a 9.8% plunge in the second quarter.**

- **The DAX index will expand to 40 from the current 30 companies with tougher membership criteria, exchange operator Deutsche Boerse said on Tuesday.** The overhaul comes in the wake of the Wirecard accounting scandal and marks the biggest shake-up in the index's history. Since its founding in 1988, the DAX has been Germany's answer to the Dow Jones Industrial Average in New York and the FTSE in London, with 30 members forming the corporate elite in one of the world's largest economies. **Most of the index's founding members have since dropped out.**

FRANCE

This morning, the French business confidence dropped in November to a five-month low as the country entered a new coronavirus lockdown, hitting the services sector particularly hard, a survey showed on Tuesday. **INSEE, the official stats agency, said its monthly business climate index fell to 79 from 92 in October,** the lowest reading since June, when France was still emerging from its first lockdown French President Emmanuel Macron is due to announce on Tuesday evening a relaxation of the second lockdown following a decline in new case numbers since it was imposed on Oct. 30.

ECONOMIC INDICATORS OF THE DAY

To the **day ahead** now, and the data highlights include **the Ifo business climate indicator from Germany** for November. From the US, we'll also get the Conference Board's consumer confidence indicator for November, the Richmond Fed's manufacturing index, along with the FHFA's house price index for September. Otherwise, central bank speakers include ECB President Lagarde, the ECB's Lane, Schnabel and Rehn, the Fed's Bullard and Williams, and the BoE's Haskel.

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

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