

MORNING NEWS, MARKET VIEW

Wednesday 25th November, 2020



- (1) Dow closed >30,000 for the first time ever and investors piled into risk assets as a series of market-friendly developments (SOURCE: BLOOMBERG).
- (2) Tesla hit \$500bn mark as the meteoric rally continues. Musk stock has risen 564% this year (SOURCE: BLOOMBERG).

Good morning,

EQUITIES

EUROPE

European stocks closed on a buoyant note on Tuesday, as investors indulged in some hectic buying almost across the board, reacting to news about U.S. President-elect Joe Biden's transition into office and on continued optimism about coronavirus vaccine. According to reports, Biden has picked former Federal Reserve Chair Janet Yellen as Treasury Secretary. News about relaxation in quarantine restrictions in the UK, higher crude oil prices, upbeat German GDP data, and a drop in new coronavirus cases in France further boosted sentiment. The STOXX 600 climbed 0.91%, the FTSE 100 surged up 1.55%, the DAX 30 gained 1.26% and the CAC 40 ended 1.21% up. Elsewhere, the FT has reported that the ECB is signaling that it could lift the ban on bank dividends next year.

In economic news, Germany's Gross domestic product grew 8.5% sequentially in the third quarter, reversing the 9.8% decline in the second quarter caused by the coronavirus pandemic. On a yearly basis, calendar-adjusted GDP was 4% lower than in the same period last year, but slower than the 11.3% contraction posted in the second quarter. German business confidence weakened in November, survey results from ifo institute showed. The business climate index fell to 90.7 in November from revised 92.5 in the previous month. The reading was forecast to ease to 90.1 from October's initially estimated value of 92.7. The current conditions index came in at 90.0 versus 90.4 a month ago. The expectations index declined to 91.5 in November from revised 94.7 in October.

French manufacturing sentiment deteriorated in November in the context of a second national lockdown, survey results from the statistical office Insee showed. The manufacturing confidence index fell less-than-expected to 92 in November from 94 in October. The expected reading was 91. However, the score was well below its long-term average of 100.

UNITED-STATES

Global equity markets rallied once again yesterday with the notional highlight being the Dow Jones breaking through the 30,000 barrier for the first time as investors were relieved by the prospect of a smooth

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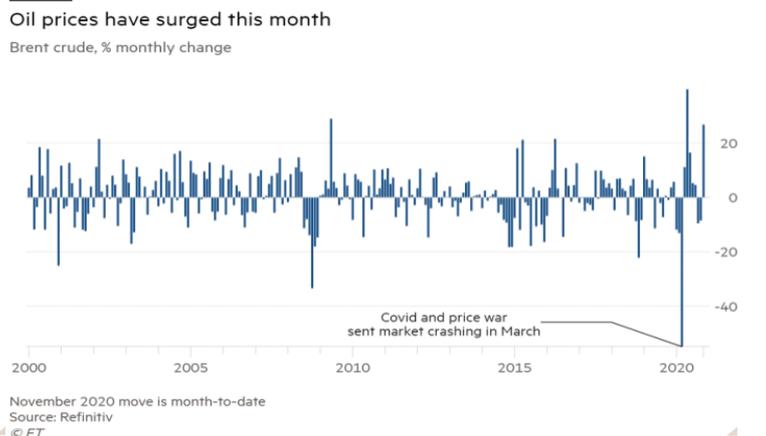
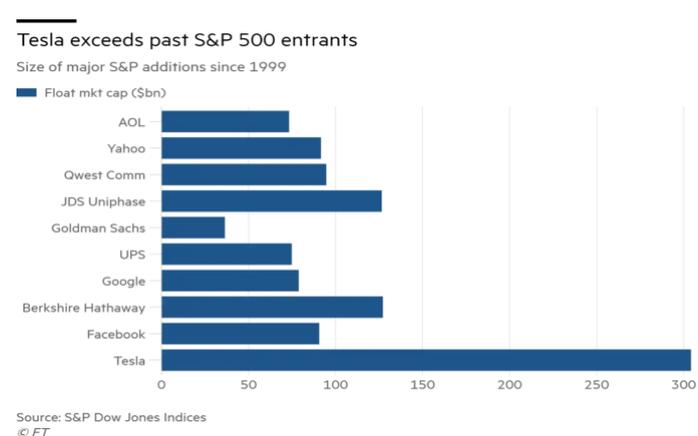
presidential transition following the General Services Administration's move to commence the process. The move has allayed market fears that the US will face extended political uncertainty in the coming weeks, and comes as increasing numbers of states have moved to certify their election results, with Pennsylvania the latest to announce yesterday. **The DOW JONES rose 1.54%, or 454 points, and is up more than 60% since its March lows. The S&P 500 was up 1.62%, while the Nasdaq Composite added 1.31%.** Financials, industrials, and energy paved the way for the broader market rally, with the latter closing up more than 5% on rising oil prices.

On the single stock level, the strong performances by **Carnival (+11.28%), United Airlines (+9.85%), MGM Resorts (+8.80%) and Royal Caribbean Cruises (+7.72%)** showed how the travel industry continues to respond positively to the vaccine headlines. Meanwhile **Tesla rose +6.43% to a fresh record high that saw the company's market cap surpass \$500bn for the first time**, with the share price having surged +564% since the start of the year. **In other back-to-normal moves, bank stocks continued improving on both sides of the Atlantic with S&P 500 Banks rising +5.53% and their European counterparts rising +4.66% yesterday as core yields continued to rise. Big moves higher were also seen from energy stocks (+5.16% in US and +4.65% in Europe)** as both Brent Crude and WTI oil prices rose to a post-pandemic high of \$47.86/bbl and \$44.91/bbl respectively. **The flip side of the positive news yesterday was that safe havens struggled once again**, and gold prices fell another -1.65% to a fresh 4-month low of \$1,808/oz.

Tuesday's rally put the Dow on pace for its biggest monthly gain since 1987, up more than 13%. Small caps also closed at a record high, with the **Russell 2000 surging nearly 2%. That gain put the Russell up more than 20% for November**, which would be its best-ever monthly performance. The ratio of the Russell 2000 over the NASDAQ is just shy of its highest level of the pandemic.

On the data side, **the Conference Board's consumer confidence indicator also fell in November to 96.1 (vs. 98.0 expected)**, and the expectations indicator fell for a second month running to 89.5.

In other overnight news, **Bloomberg has reported that Treasury Secretary Steven Mnuchin will put \$455bn in unspent Cares Act funding into the agency's General Fund which will then require Treasury Secretary elect Yellen to seek congressional approval for using the monies.** Most of this money had gone to support the Fed's emergency-lending facilities.



(3) Tesla exceeds past S&P 500 entrants (SOURCE: FT.com)

(4) Oil prices have surged this month (SOURCE: FT.com)

ASIA

Asian shares rallied to a record peak on Wednesday following an overnight surge that saw the Dow Jones crack 30,000 for the first time as investors cheered a dramatically improved global outlook. The NIKKEI (+0.50%), the ASX 200 (+0.59%) and the HANG SENG (+0.24%) were up while the SHANGHAI COMP (-1.19%), the SHENZHEN (-1.77%), the NIFTY (-0.72%) and the KOSPI (-0.62%) turned red.

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BONDS

The yields on 10yr Treasuries (0.88%: +2.6bps), BUNDS (-0.56%: +1.8bps) and GILTS (0.32% +1.2bps) all rising, though **there was a tightening of peripheral spreads in line with the broader rally in risk assets**. Notably, yields on **Italian 10yr BTPs fell to an all-time low yesterday of 0.61%, and their spread over 10yr bund yields fell to a 2-year low of 1.17%**.

CORONAVIRUS

Overnight, **Xinhua has reported that Sinopharm has submitted an application in China to bring its Covid-19 vaccine to the market**. The application is believed to include data on the company's Phase III trials conducted in the Middle East and South America. This application will likely make Sinopharm the first developer outside of Russia to see its shots made available for general public use. **Sinopharm's vaccine already had emergency use authorization in China and according to reports they have been given to hundreds of thousands of people so far**. They have not released any public data on the efficacy of its shots though. **A Chinese vaccine would be helpful for the ASEAN countries as most of them have pre-dose agreements with China**.

In France, **President Macron announced that the lockdown measures will be lifted gradually from this Saturday onward when small stores can reopen**. Notably, restaurants will remain closed until January 20, but much of the lockdown is set to be lifted by December 15. However ski resorts will stay shut until the new year which means I now won't be skiing at Xmas.

In an effort to contain the virus's spread around the Thanksgiving holiday in the US, **New York City will have checkpoints at specific bridges and crossings to enforce the travel quarantine and set up testing appointments**. These will not be used for those travelling to contiguous states but **the city's measures will be enforced for those using the city's airports and train stations**.

ECONOMIC INDICATORS OF THE DAY

To the **day ahead** now, and there's an array of US data releases ahead of tomorrow's Thanksgiving holiday, including the weekly initial jobless claims, the second estimate of Q3 GDP, the preliminary reading of October's durable goods orders, October's personal income, personal spending and new home sales, along with the final University of Michigan sentiment reading for November. From central banks, the Fed will be releasing the minutes of their November meeting, the ECB will publish their Financial Stability Review, and the ECB's Holzmann will be speaking. Finally, the aforementioned spending review in the UK will be taking place.

[Source: Ft.com/Reuters/ Bloomberg/Investing/Daily FX/ Deusch Bank/ Boursorama/ JP Morgan](#)

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