FINANCIAL NETWORKING GROUP

MORNING NEWS, MARKET VIEW

Thursday 26th November, 2020

Good morning,

EQUITIES

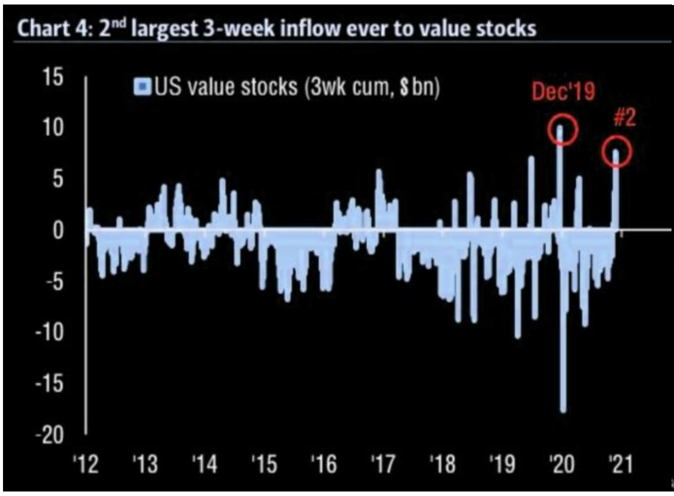
EUROPE

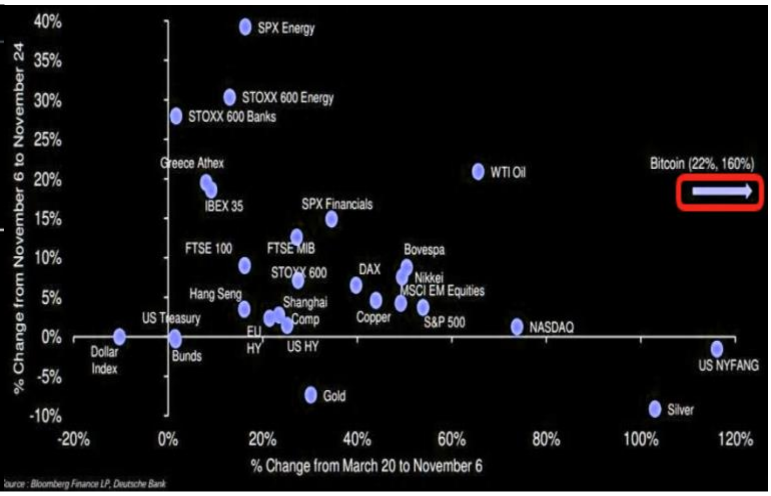
European stocks ended roughly flat on Wednesday after turning in a mixed performance, as the euphoria over recent positive news on the vaccine front and U.S. President-elect Joe Biden's transition to White House faded a bit and investors awaited fresh direction. **The Stoxx 600 edged down 0.08%, the FTSE 100 slid 0.64%, the DAX 30 ended down 0.02 while the CAC 40 climbed 0.23%. Meanwhile, Southern Europe outperformed the rest of the continent,** with **Italy's FTSE MIB (+0.72%) and Spain's IBEX 35 (+0.26%)**.

UNITED-STATES

US equities fell back from their record highs on Tuesday as a deteriorating situation on the coronavirus and weak economic data served as a reality check to the surge in risk assets we've seen in recent days.

The **DOW JONES declined -0.58% and close at 29,872.47**. The **S&P 500 had fallen -0.16% to finish** its trading day at 3,629.65 after reaching an all-time closing high in the previous session**.** With the economic picture showing signs of weakness, big tech got a renewed bid again with **the NASDAQ Composite +0.48% who reached its highest-ever closing level** thanks to decent performances from Amazon (+2.15%), Apple(+0.75%) and Tesla (+3.35%). **Even as the equity rally took a pause, the VIX volatility index fell -0.4 pts to its lowest closing levels (21.3) since February 21.** That was the initial Friday sell-off before the S&P 500 fell a further -33% over the next 21 trading sessions.





(1) US : **2nd largest 3-week inflow ever to value stocks** (SOURCE: JPM).

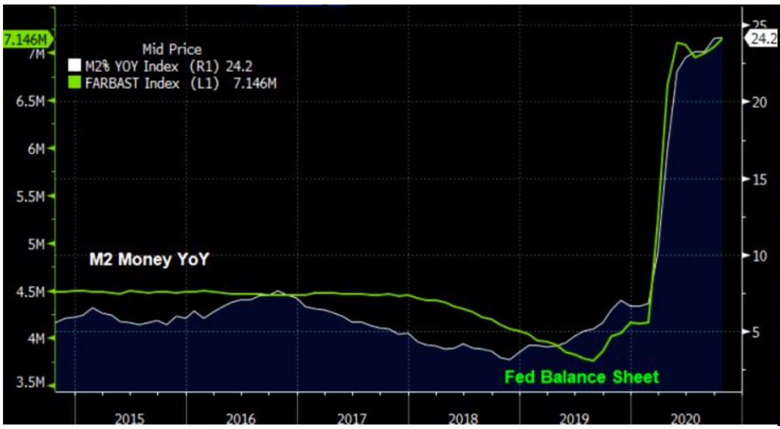
(2) Multi Asset class return since March 2020: **Needs no comments, chart speaks for itself...just note Bitcoin can't fit the chart.** (SOURCE: DB).

The minutes from the Federal Open Market Committee's November 4-5th meeting were released last night. **The committee viewed current asset valuations as "moderate" when taking low interest rates into account**. The participants noted that "immediate adjustments to the pace and composition of asset purchases were not necessary" but, "they recognized that circumstances could shift to warrant such adjustments." **There was a more pertinent discussion of updating forward guidance on their bond-buying strategy "fairly soon",** ensuring that any additions in the **Central Banks' securities holdings would taper and end before the federal funds rate**

was raised. There was some discussion on the facilities that the Treasury department has since shut with officials at the meeting “emphasizing the important roles” the lending programs played “in restoring financial market confidence and supporting financial stability”. **With these programs closed, the central bank could act more aggressively if financial conditions do worsen going forward.** The Fed currently has been buying $120 billion a month of Treasurys and mortgage-backed securities.

Despite the dense economic calendar, the North American traders couldn’t cheer any of the headline figures as the **preliminary Q3 GDP eased a bit to 33.1% from 33.2% forecast** while Weekly Jobless Claims surged: The report said initial jobless claims climbed to 778,000, an increase of 30,000 from the previous week's revised level of 748,000. Further details suggest that the **Durable Goods Orders grew more than 0.9% forecast to 1.3% in October** whereas **Michigan Consumer Sentiment weakened to 76.9 from 77.00 prior and expected**.

Another report from the Commerce **Department showed new home sales in the U.S. unexpectedly edged lower in the month of October.** The Commerce Department said new home sales **dipped by 0.3 percent to an annual rate of 999,000 in October** after inching up by 0.1 percent to a revised rate of 1.002 million in September. **Furthermore, data on personal income for October showed an unexpectedly large -0.7% fall (vs. -0.1% expected),** which will add to fears that the **US economy is losing momentum as the number of Covid-19 cases continues to rise throughout the country heading into the winter** The University **of Michigan’s final consumer sentiment index for November fell a tenth from the preliminary reading to 76.9**, having been 81.8 the previous month.



(1) FED: Fed’s Balance Sheet and M2 Aggregate (SOUCE: BLOOMBERG).

(2) ECB: ECB balance sheet on course to €7tn. Total assets rose by another €34.4bn to hit fresh ATH at €6,867.8bn on QE. ECB Balance sheet now equal to 68% of Eurozone GDP vs Fed's 34%, BoE's 36% and BoJ's 131%(SOUCE: BLOOMBERG).

ASIA

Asian shares advanced on Thursday as market euphoria over COVID-19 vaccines and expectations a Biden administration would deliver more economic stimulus and political predictability overrode a slate of weak U.S. economic data. **MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.39% while Japan's Nikkei gained 0.91%.** The HANG SENG (+0.41%), the SHANGHAI COMPOSITE (+0.22%) and KOSPI (+0.94%) were up while the ASX 200 (-0.70%) was down. Meanwhile, the **BoK at its monetary policy decision today kept the interest rates unchanged** while revising GDP forecasts upwards by 0.2pp for both this year and next.

BONDS

Yesterday, core sovereign bonds in Europe rose as yields on BUNDS (-0.57%: -0.5bps) and GILTS (0.31%: -1.2bps) fell back, whereas their counterparts in southern Europe such as 10yr Italian (0.57% +0.3bps) and Greek (+1.7bps) debt rose.

CORONAVIRUS

In terms of the latest on the virus, **it feels a little like summer again with case count news easing in Europe and worsening in the US**. Yesterday, **France's 7-day running tally of infections fell to its lowest levels since October 9, while general hospitalizations and ICU usage continue to fall**. Geneva and other Swiss cities are said to be reopening restaurants from December 10 onwards, while non-essential shops will reopen from this weekend. On the other hand, **Germany has decided to extend its partial lockdown for at least 3 weeks to December 20 and has tightened restrictions on private gatherings**. The German government has also indicated that they expect wide-ranging restrictions to stay in place until early January, particularly for restaurants and hotels. Meanwhile, **New York saw its daily case numbers rise above 6,000 for the first time since April and California reported over 18,000 new cases, well over the 15,400-daily record from this past weekend**. While mass gatherings have been largely discouraged by local governments, there still seems to be quite a bit of mobility ahead of today's holiday and we will learn the impact of this in the first couple of weeks of December, just ahead of Christmas travel. Across the other side of world, **South Korea reported 583 infections in the past 24 hours, the highest since March**.

BREXIT

With just 5 weeks today until the transition period comes to an end, there's still no sign of progress on the key issues in the trade negotiations. In a speech to the European Parliament yesterday, **Commission President Ursula von der Leyen said that "I cannot tell you today, if in the end there will be a deal", and although she said that there'd been "genuine progress" on a number of issues, the three usual stumbling blocks of the level-playing field, fisheries and governance remained**. It's still not obvious from where or from whom the compromises will come, and the BBC's Europe Editor Katya Adler tweeted yesterday that EU sources had said that the talks weren't going well. There is a story on Bloomberg this morning where **the French foreign minister is accusing the UK of dragging its feet with Barnier apparently also suggesting there is little point in him coming to London unless the UK is prepared to give ground.**

CRYPTOCURRENCIES

Bitcoin and other digital currencies plunged this morning, a slide likely to stoke speculation about the durability of the boom in cryptocurrencies. Bitcoin slumped as much as 8.7%, the most since early August, while digital coins like Ether also tumbled. Analysts said that profit-taking after the recent rally, and speculation about tighter regulations, were among the reasons for the shift lower.

ECONOMIC INDICATORS OF THE DAY

To the **day ahead** now, and it'll likely be a quieter one because of the Thanksgiving holiday in the US. Otherwise, we'll get the minutes of the ECB's October meeting, remarks from the ECB's Lane and Schnabel, as well as the Euro Area's M3 money supply data for October. There'll also be a decision on interest rates from the Riksbank

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

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