

# MORNING NEWS, MARKET VIEW

Friday 27<sup>th</sup> November, 2020

Good morning,

## EQUITIES

### EUROPE

With the US out on holiday, **risk assets lost ground again yesterday as investors grappled with the likely spread in the pandemic over the colder winter months ahead as well as potential disruption with AstraZeneca's vaccine rollout.**

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% and the CAC 40 climbed 0.23%.** Other risk assets struggled too, with **Brent crude oil prices shedding -1.67%** as they came down from their post-pandemic high the previous day.

**Asian shares stalled near record highs on Friday as investors weighed renewed doubts about a highly-anticipated coronavirus vaccine against hopes** that some of the region's economies will recovery quicker than their Western peers. **MSCI's broadest index of Asia-Pacific shares outside Japan dipped 0.04%** but remained with striking distance of a life-time peak touched this week. The NIKKEI (+0.40%), the KOSPI (+0.29%), the SHANGHAI COMP (+1.14%), the HANG SENG (+0.49%) were up while the ASX 200 (-0.53%) was down. Treasury Wine Estate Ltd tumbled by 11.25% after **China slapped tariffs on Australian wine**, which is likely to worsen a diplomatic row between Beijing and Canberra.

In terms of overnight data, Chinese industrial firms' profits **rose to CNY642.91 billion (\$97.78 billion) in October, reflecting the manufacturing sector's steady recovery from the impact of COVID-19.** Data released earlier in the day from the **National Bureau of Statistics (NBS) showed a 28.20% increase in Chinese industrial profit year-on-year**, a sixth straight month of growth. Profits rose by 10.10% in September. **Profits also rose 0.7% for the year-to-date, up from September's 2.4% contraction.**

**The dollar index (91.87) fell toward its lowest in more than two months.** The yield on **benchmark 10-year Treasury notes fell to 0.85%** as some investors sought the safety of holding government debt.

## RATES

**European sovereign bonds rallied further yesterday**, and yields on Italian 10yr debt fell -1.3bps (0.56%) to a fresh all-time low of 0.60%, which just demonstrates the power **that the ECB's asset purchases have had in suppressing sovereign risk over recent months.** Portugal was another country that saw yields at all-time lows yesterday, with their 10yr yields closing just clear of negative territory at **0.003%.** The move was pretty uniform across the continent however, and yields on 10yr bunds (-2.0bps : -0.58%) and OATs (-1.8bps : -0.35%) also fell back.

## ECB

In other news, the ECB's minutes from their late October meeting showed that there was growing concern about the outlook. **The account said that views were exchanged on "whether revisions in the upcoming December Eurosystem staff projections were likely to result in the baseline being closer to the severe scenario included in the September projections."** Furthermore, it said **"members widely agreed that ... it would be**

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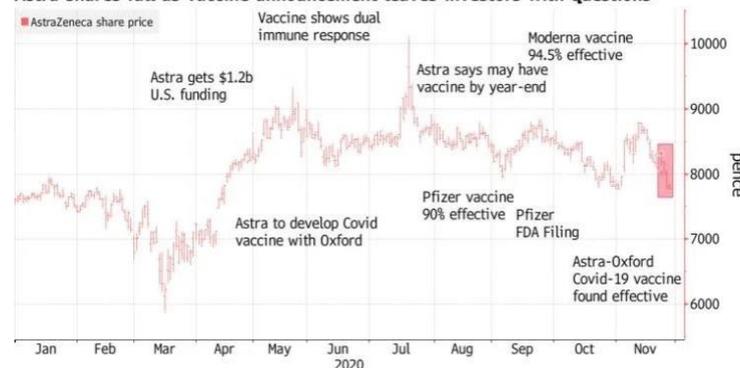
warranted to recalibrate the monetary policy instruments in December”, so clearly setting the stage for some form of easing at the next meeting on December 10.

### CORONAVIRUS

On the coronavirus, the main news yesterday was that increasing questions were being asked of the AstraZeneca/Oxford vaccine, with AstraZeneca’s CEO saying that the company was likely to conduct a further trial to test the vaccine’s efficacy. As you may recall, the average efficacy of the vaccine was found to be at 70% when the news came out on Monday, but this was an average of two different dose regimens, in which one had 90% efficacy where there was a halved first dose and a standard second dose, whereas the other had 62% efficacy. However, it’s since come out that the more effective dose came out because of an error in the

#### Vaccine Race

Astra shares fall as vaccine announcement leaves investors with questions



amount of vaccine put into some vials, and the head of the US Operation Warp Speed has said that those who received this dose were limited to those aged 55 or below, and we know that lower age groups are at lower risk anyway. Indeed, Bloomberg reported overnight that UK Health Secretary Matt Hancock has asked the UK medical regulator to potentially bypass its EU counterpart and approve the supply of AstraZeneca’s vaccine to speed its deployment. In addition, and highlighting the importance of

AstraZeneca’s vaccine for EM, Indian officials have said this morning that they will consider the dosing regimen with lower efficacy of 62% for granting regulatory approval adding that the efficacy of 62% is good enough for approval and use if it clears regulatory hurdles.

Elsewhere, New York reported that the number of Covid-19 hospitalisations had risen above 3,000, though in better news, Italy reported that the number of Covid-19 ICU patients fell for the first time in 7 weeks, and the 7-day average of cases in the UK fell to 17,329, which was its lowest in nearly 6 weeks. However, in Germany the number of ICU patients rose to record levels and Chancellor Merkel urged the country’s residents to do more to rein in the pandemic. Meanwhile in Asia, South Korea said that the country will decide soon on whether to further tighten social restrictions after the country reported another 569 cases after reporting 583 infections a day prior.

## ECONOMIC INDICATORS OF THE DAY

To the day ahead now, and data releases include the French preliminary CPI reading for November, along with the Euro Area’s final consumer confidence reading for November. Central bank speakers include the ECB’s Panetta and Schnabel.

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

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