

# THE NIGHT OUTLOOK

Wednesday 25<sup>th</sup> November 2020

## GRAPHIC OF THE DAY



(1) US: MBA Mortgage Application 3.9% v -0.3% prior (SOURCE : BLOOMBERG).

(2) US: Initial Jobless Claims 778K v 742K prior (SOURCE : BLOOMBERG).

## US

The Mortgage Bankers Association (MBA) said its Mortgage Applications Survey found a **slight decline in purchase applications** but a **significant gain in refinancing** compared to the previous week. This resulted in an **increase of MBA's Market Composite Index**, a measure of mortgage loan application volume, **of 3.9 percent on a seasonally adjusted basis from one week earlier** and 3.0 percent on an unadjusted basis. (Chart 1)

The Labor Department said **778,000 seasonally adjusted initial claims were filed** in the **week ended November 21**, **more than analysts had forecasted** and an increase of 30,000 from the previous week's upwardly revised figure. The increase was the **first consecutive one since July** and brought claims to their **highest level in more than a month**, as the world's largest economy grapples with a nationwide surge in Covid-19 cases. (Chart 2)



(3) US: Durable Goods Orders (Oct) 1.3% v 1.9% prior (SOURCE : BLOOMBERG).

(4) US: New Home Sales (Oct) 999K v 959K prior (SOURCE : BLOOMBERG).

The Commerce Department report put the increase in orders for **big-ticket items such as industrial equipment and automobiles at 1.3 percent to \$240.8 billion**, above the 0.8 percent increase projected by analysts. The agency also lifted the estimate of September durable goods orders by 0.2 percent to 2.1 percent. (Chart 3)

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Sales of new homes in the US ebbed slightly in October compared with the prior month, but remained significantly above year-ago levels, according to data released Wednesday. Sales of new single-family homes were a seasonally adjusted rate of 999,000 last month, according to Commerce Department data. (Chart 4)

## MARKET MONITOR

Source: Investing.com

### EQUITY INDICES

Name	Last	Open	High	Low	Chg. %
Dow Jones	29,872.47	30,058.87	30,058.87	29,806.25	-0.58%
S&P 500	3,630.38	3,633.56	3,634.38	3,617.81	-0.14%
Nasdaq	12,094.40	12,053.89	12,114.77	12,020.95	+0.47%
S&P/TSX	17,309.71	17,278.42	17,323.83	17,215.54	+0.21%
Bovespa	110,113.92	109,786.37	110,595.81	109,315.21	+0.30%
Euro Stoxx 50	3,511.90	3,513.77	3,520.74	3,494.07	+0.11%
FTSE 100	6,391.09	6,432.17	6,468.73	6,375.25	-0.64%
CAC 40	5,571.29	5,577.97	5,589.78	5,545.01	+0.23%
DAX	13,289.80	13,346.77	13,346.96	13,235.82	-0.02%
IBEX 35	8,164.70	8,172.40	8,199.90	8,084.40	+0.26%
FTSE MIB	22,303.58	22,280.55	22,344.07	22,054.40	+0.72%
Topix 100	1,138.47	1,145.19	1,151.78	1,136.05	+0.49%
Nikkei 300	367.06	365.06	368.34	365.02	+2.09%
Hang Seng	26,669.75	26,819.96	27,040.41	26,591.30	+0.31%
Shanghai	3,362.33	3,417.52	3,423.49	3,362.33	-1.19%

### RATES

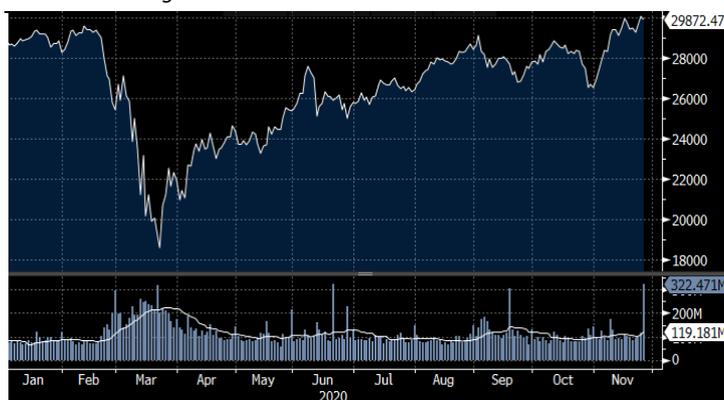
Name	Last	Open	Chg. %
Italy 10Y	0.572	0.579	-0.87%
U.S. 10Y	0.880	0.887	-0.24%
Germany 10Y	-0.565	-0.561	+1.05%
Japan 10Y	0.015	0.024	-28.57%
France 10Y	-0.334	-0.326	+0.60%
U.K. 10Y	0.311	0.331	-2.66%
Spain 10Y	0.070	0.081	+4.48%

### CURRENCIES

Name	Last	Open	Chg. %
USD/CAD	1.2996	1.2997	+0.02%
EUR/USD	1.1922	1.1889	+0.28%
USD/JPY	104.44	104.42	+0.01%
USD/CNY	6.5790	6.5900	-0.17%
EUR/CAD	1.5494	1.5449	+0.27%
GBP/USD	1.3387	1.3360	+0.23%
EUR/GBP	0.8905	0.8898	+0.09%
EUR/JPY	124.50	124.15	+0.27%
EUR/MXN	23.8066	23.7764	+0.14%

## US – Dow Falls as Bulls Take Breather After Record Run to 30,000

Source: investing.com



(5) Dow Jones Industrial Index (1d) (SOURCE : BLOOMBERG).

(6) S&P 500 map (1d) (SOURCE : FINVIZ).



The **Dow slipped Wednesday**, after a record surge a day earlier, as a wobble in the jobs market in the wake of rising Covid-19 cases prompted investors to hit pause on value stocks. The **Dow Jones Industrial Average** fell

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**0.58%**, or 173 points, after **closing above the 30,000 level on Tuesday**. The **S&P 500 was down 0.14%**, while the **Nasdaq Composite added 0.47%**.

The **U.S Labor Department reported that 778,00 people filed for unemployment insurance**, up 30,000 from the prior week's 748,000, and well above expectations for 730,000 claims.

**That was the second-consecutive week of rising claims for the first time since July 25**, suggesting the impact of new restrictions in the parts of the U.S. and a lack of stimulus are taking a toll on the labor market.

"Stay-at-home measures, school closures, and limitations for businesses to operate are going to lead to more layoffs over the winter. It is going to get worse before it gets better," Jefferies said in a note. **The weaker jobs data arrived on the heels of data showing personal spending and durable goods orders increased more than expected**, but some warn the impact of rising infections will likely keep a lid on the pace of the recovery.

"Cooler temperatures, which shuttered outdoor venues, a drop in unemployment benefits and a jump in COVID cases put a damper on spending and confidence," said. Diane Swonk, Senior Economist at Grant Thornton.

The **slew of data prompted investors to hit pause on value stocks**, which tend to move in tandem with the pace of the economy.

**Industrials, financials, and energy traded in the red**, though **losses in the latter were kept in check by a climb in oil prices**. **Oil price rose more than 1% on data showing an unexpected draw in U.S. weekly inventories**.

The **malaise in value**, however, was **not mirrored in growth stocks as investors tech racked up gains**, with Apple up nearly 1% on expectations for strong demand for its products ahead of the Holiday season. "With more order activity kicking in over the last few weeks for iPhone 12 our initial reads are very bullish and give us incremental confidence in our super cycle thesis on iPhone 12," Wedbush analyst Daniel Ives said in a note.

On the **monetary policy front, investors digested the minutes from the Federal Reserve's November meeting**, showing that **policymakers were preparing to change tact on bond purchasing**.

"Many participants judged that the Committee might want to enhance its guidance for asset purchases fairly soon," the minutes said. "Most participants judged that the guidance for asset purchases should imply that increases in the Committee's securities holdings would taper and cease sometime before the Committee would begin to raise the target range for the federal funds rate."

In other news, **Slack Technologies Inc jumped 37% on reports it had talks with Salesforce over a possible sale**.

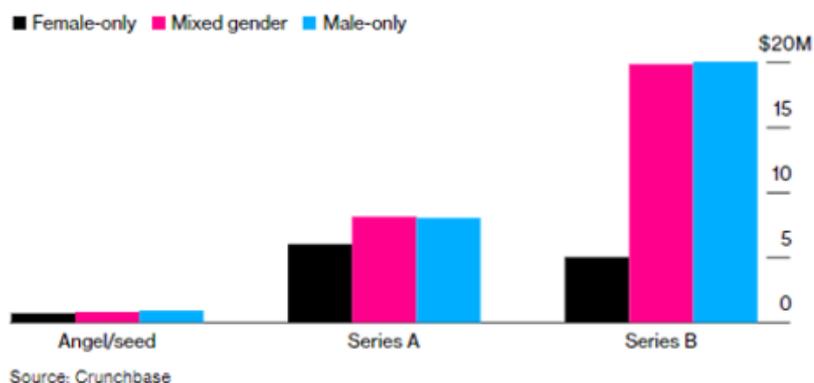
## TECH – Female Founders Lose Out on Capital Piling Into Fintechs

*Source: bloomberg.com*

**As a record amount of venture capital flows into the fintech industry, female entrepreneurs are lagging behind their male counterparts in attracting funding.**

**Firms with only female founders accounted for 3.8% of fintechs that attracted capital this year through October in the U.S.**, but drew proportionately less funding just 0.9% of the total money raised by such companies, according to Crunchbase Inc., which provides data, tools and research on private companies. With financial-technology firms raising a record \$16.9 billion in the first three quarters of 2020 up 20% from a year earlier, according to Crunchbase companies with female founders are losing out on opportunities to develop products and attract customers even as firms started by men are able to ramp up. **Fintechs founded by women continue to face bias that is difficult to overcome**, said Alaina Sparks, a managing director, and the U.S. fintech practice leader at consulting firm Deloitte.

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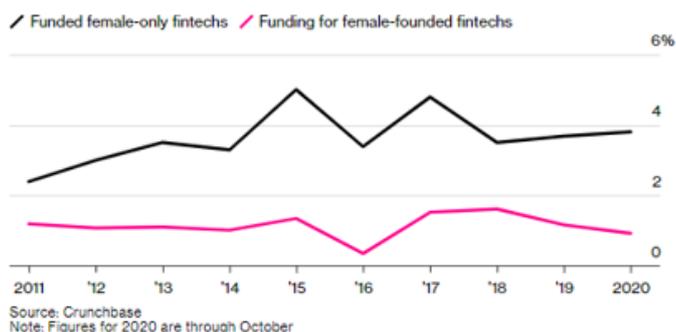


(7) Median size of fundraising rounds smaller for female-founded fintechs (SOURCE : BLOOMBERG).

by women and a mix of men and women has dipped after peaking in 2017 and 2018 as they raised fewer large dollar rounds in the past two years.

“The percentage of the pool for male founders is already big, so we continue to see more dollars going there as those rounds expand,” said Katie Palencsar, head of the Female Innovators Lab, a New York-based program run by venture firm Anthemis Group SA and Barclays Plc that supports women in fintech.

During the coronavirus pandemic, many venture capitalists have doubled down on their portfolios, providing additional support to companies they have already invested in, Palencsar said. Given that the majority of those firms were founded by men, “you kind of have a vicious cycle right there where that capital may have gone to female founders or diverse founders or just more founders outside that traditional portfolio mix,” she said.



(8) Female fintech founders get proportionately less funding (SOURCE : BLOOMBERG).

Female founders trail their male counterparts in raising money across venture-backed companies in general, but the gap is particularly stark in fintech. Disparities persist at early stages of funding as well. Over the past five years, median deal sizes for female-founded fintechs at seed, series A and series B stages were smaller than those for fintechs with male or mixed-gender founders, according to Crunchbase.

## ECONOMICS – Oil’s Surge Toward \$50 Risks Giving OPEC+ Yet Another Headache

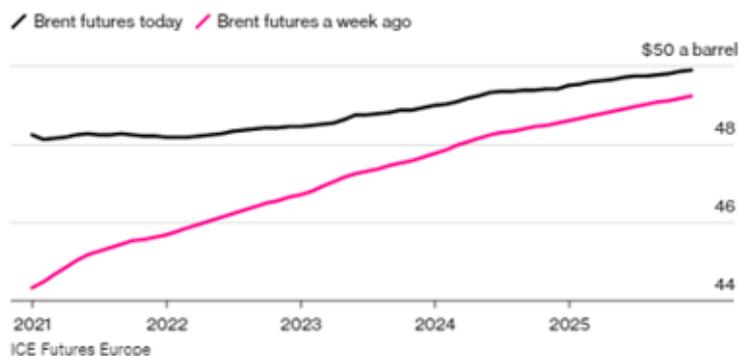
Source: bloomberg.com

With OPEC+ just days from meeting, those countries who favour ratcheting up oil production may be finding some support for their arguments from surging prices.

Headline futures contracts jumped 30% this month with Brent at one point on Wednesday hitting \$48.75 a barrel, the highest since March. Critically though, a much more fundamental shift has taken place in the forward curve, which offers clues about traders’ perspectives on supply and demand, both now and in future. Large parts of the curve are now trading in a structure known as backwardation, suggesting a clamour for barrels. Just a week ago, they were in contango and pointing to surplus. The Organization of Petroleum Exporting Countries and its allies, who will meet on Monday and Tuesday, are already grappling with a difficult market to evaluate. Oil demand has rarely been so volatile. A supply glut, built up when coronavirus first emerged, remains but is being eroded. Adding supplies again in January would risk reversing the strength that

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(9) Crude futures curves suggest a tighter oil market (SOURCE : BLOOMBERG).

has grown in recent weeks. “The more relaxed ministers feel because prices are rising, the more difficult it can be to achieve consensus on further market stabilization measures,” **Standard Chartered** analyst Paul Hornsell wrote in a report. The bank sees a **3-month extension of curbs as the market’s minimum expectation when OPEC and its allies meet early next week.** The shift in the forward curve brings another challenge: average Brent prices for 2021 and 2022 are now above \$48

a barrel, meaning producers from outside the group can lock in output for years ahead at the best levels in months. Some already are. The longer OPEC+ keeps supplies constrained, the more support those companies and countries get.

## ECONOMIC CALENDAR FOR TOMORROW (GMT +1:00)

Source: [investing.com](https://www.investing.com)

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
<b>Thursday, November 26, 2020</b>						
All Day		<b>Holiday</b>	United States - Thanksgiving Day			
06:00	JPY	★☆☆	Coincident Indicator (MoM)			1.4%
06:00	JPY	★☆☆	Leading Index (MoM)			4.4%
06:00	JPY	★☆☆	Leading Index		92.9	88.4
08:00	EUR	★★★☆☆	GfK German Consumer Climate (Dec)		-5.0	-3.1
08:45	EUR	★☆☆☆☆	French Consumer Confidence (Nov)		92	94
10:00	EUR	★☆☆☆☆	M3 Money Supply (YoY) (Oct)		10.4%	10.4%
10:00	EUR	★☆☆☆☆	Loans to Non Financial Corporations (Oct)			7.1%
10:00	EUR	★☆☆☆☆	Private Sector Loans (YoY)			3.1%
12:30	EUR	★★★☆☆	ECB Publishes Account of Monetary Policy Meeting			
13:00	EUR	★★★☆☆	ECB's Lane Speaks			
13:30	EUR	★★★☆☆	ECB Monetary Policy Statement			
14:00	EUR	★★★☆☆	ECB's Schnabel Speaks			

Source : [Ft.com](https://www.ft.com)/[Reuters](https://www.reuters.com)/[Bloomberg](https://www.bloomberg.com)/[Investing](https://www.investing.com)/[Daily FX](https://www.dailyfx.com)/[Deutsch Bank](https://www.deutschbank.com)/[Boursorama](https://www.boursorama.com)/[JP Morgan](https://www.jpmorgan.com)

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