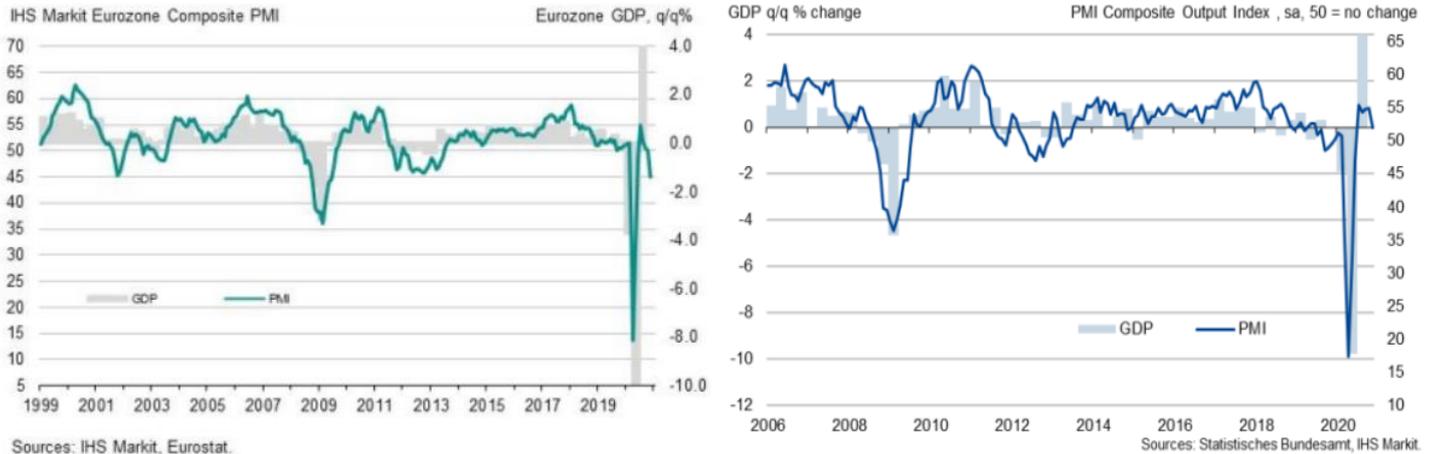


THE NIGHT OUTLOOK

Monday, 23rd November 2020

GRAPHIC OF THE DAY



(1) Euro Markit Composite PMI (Nov) (Source : IHS Markit).

(2) German Composite PMI (Nov) (Source : IHS Markit).

EUROPE

Eurozone business activity fell sharply in November according to a release by IHS Markit on Monday. **The flash Eurozone Composite Purchasing Managers' Index (PMI) dropped from 50.0 in October to 45.1, the lowest point since May. The fall was mainly attributed to the European Union member states' efforts to curb the coronavirus pandemic by introducing harsher lockdown measures.**

The services industry was the hardest hit, with output falling for the third month in a row and the rate of decline accelerating sharply to the fastest since May. In manufacturing, output growth slowed to the lowest since July.

The composite PMI in France sank to 39.9 from 47.5.

"Firms across both manufacturing and services have also become more optimistic about the year ahead, largely reflecting growing hopes that the recent encouraging news on vaccines will allow life to return to normal in the new year," Chris Williamson, chief business economist at IHS Markit said. "Importantly, however, the further downturn of the economy signalled for the fourth quarter represents a major set-back to the region's health and extends the recovery period. After a 7.4% contraction of GDP in 2020, we are expecting only a 3.7% expansion in 2021."(CHART 1).

GERMANY

The IHS Markit Flash PMI for Germany dropped to a five-month low in November, according to data published on Monday.

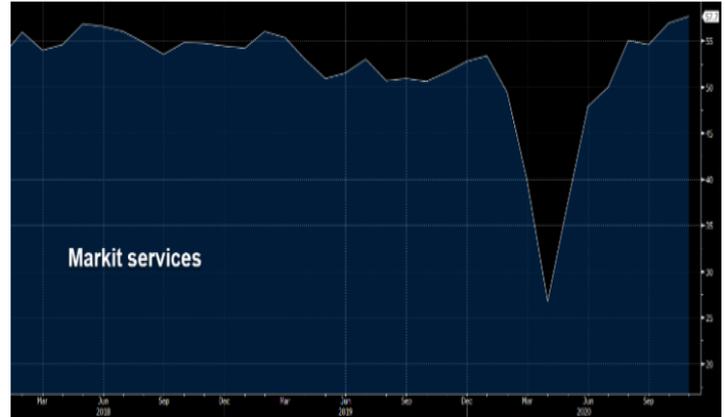
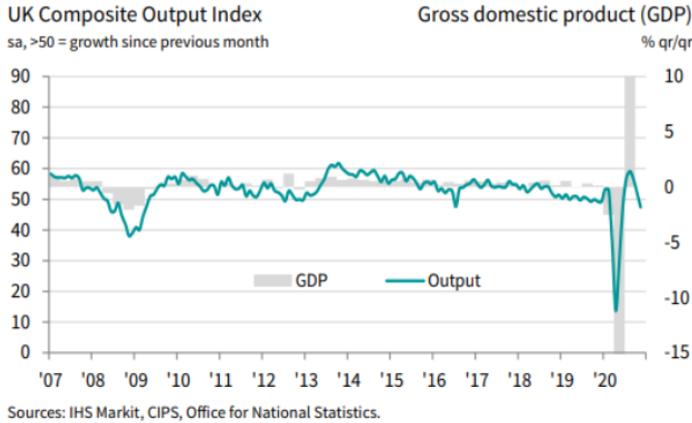
At 52 for November, the Composite PMI fell due to the tightening of coronavirus restrictions across Germany. However, the country's manufacturing sector continued to show "strong growth, helping to support overall economic activity," according to the report.

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"As expected, the introduction of new lockdown measures in November to combat the spread of COVID-19 has had a disruptive impact on German economic activity, with the flash PMI data showing the service sector suffering its worst performance since May," Phil Smith, associate director at IHS Markit, commented on the data. (CHART 2)



(3) UK Composite PMI (Source : IHS Markit).

(4) US Services PMI (Nov) (Source : Bloomberg).

UK

Business activity across the UK private sector decreased in November, which ended a four-month period of expansion. The downturn was driven by the fastest reduction in service sector output since May amid temporary business closures among leisure and hospitality companies.

Adjusted for seasonal influences, the IHS Markit / CIPS Flash UK Composite Output Index – which is based on approximately 85% of usual monthly replies – dropped from 52.1 in October to 47.4 in November and pointed to the sharpest downturn in overall business activity since May. The underperformance of the service economy (45.8) relative to the manufacturing sector (56.3) was the widest in almost 25 years of data collection, reflecting the severe impact on business activity from a second lockdown in England and tightened COVID-19 restrictions across the rest of the UK. (CHART 3)

US

The Services PMI rose to 57.7 from 56.9 and surpassed the analysts' estimate of 55.3.

Furthermore, The IHS Markit's Manufacturing Purchasing Managers' Index (PMI) for the US edged higher to 56.7 in November from 53.4 in October to show that the economic activity in the manufacturing sector continued to expand at a robust pace. This reading beat the market expectation of 53 by a wide margin.

Commenting on the report, "the November PMI surveys provide the first postelection snapshot of the US economy and makes for very encouraging reading, though stronger economic growth is quite literally coming at a price," said Chris Williamson, Chief Business Economist at IHS Markit.

"Expectations about the year ahead have surged to the most optimistic for over six years," Williamson further noted. "Reflecting the combination of a post-election lift to confidence and encouraging news that vaccines may allow a return to more normal business conditions in the not too distant future." (CHART4)

MARKET MONITOR

Source: Investing.com

EQUITY INDICES

Name	Last	Open	High	Low	Chg. %
Dow Jones	29,591.27	29,332.82	29,667.75	29,332.82	+1.12%
S&P 500	3,579.30	3,579.11	3,590.80	3,552.10	+0.61%
Nasdaq	11,880.63	11,916.76	11,949.33	11,796.53	+0.22%
S&P/TSX	17,095.33	17,067.25	17,137.30	17,035.70	+0.45%
Bovespa	107,432.81	106,050.48	107,495.35	106,050.48	+1.31%
Euro Stoxx 50	3,463.04	3,480.59	3,506.24	3,468.85	-0.13%
FTSE 100	6,333.84	6,351.45	6,392.08	6,325.24	-0.28%
CAC 40	5,492.15	5,543.83	5,555.83	5,492.15	-0.07%
DAX	13,126.97	13,215.44	13,312.42	13,126.97	-0.08%
IBEX 35	7,981.20	8,029.10	8,067.30	7,972.20	+0.04%
FTSE MIB	21,701.79	21,870.99	21,996.39	21,701.79	-0.02%
Topix 100	1,109.90	1,107.56	1,109.90	1,104.96	-0.12%
Nikkei 300	359.54	358.90	359.54	357.88	-0.12%
Hang Seng	26,486.20	26,659.79	26,662.66	26,369.34	+0.13%
Shanghai	3,414.49	3,384.10	3,431.65	3,377.99	+1.09%

RATES

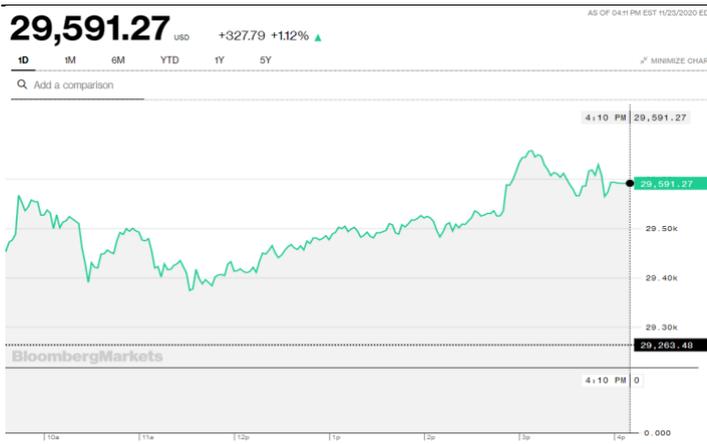
Name	Last	Open	Chg. %
Italy 10Y	0.585	0.597	+0.26%
U.S. 10Y	0.852	0.832	+2.79%
Germany 10Y	-0.583	-0.590	-0.78%
Japan 10Y	0.019	0.010	+90.00%
France 10Y	-0.345	-0.351	-1.77%
U.K. 10Y	0.315	0.302	-1.25%
Spain 10Y	0.071	0.063	-2.08%

CURRENCIES

Name	Last	Open	Chg. %
USD/CAD	1.3087	1.3089	-0.07%
EUR/USD	1.1832	1.1851	-0.18%
USD/JPY	104.34	103.81	+0.48%
USD/CNY	6.5860	6.5535	+0.38%
EUR/CAD	1.5483	1.5513	-0.20%
GBP/USD	1.3306	1.3273	+0.18%
EUR/GBP	0.8892	0.8929	-0.41%
EUR/JPY	123.45	123.10	+0.28%
EUR/MXN	23.8242	23.8302	-0.05%

US - Dow Rallies on News Biden to Pick Yellen as Treasury Secretary

Source: Investing.com



(5) Dow Jones chart (Source : Bloomberg).

(6) S&P 500 map (Change 1 day) (Source : FINVIZ).



The Dow climbed Monday, as positive vaccine news and a WSJ report suggesting President-elect Joe Biden plans to select former Federal Reserve Chair Janet Yellen as Treasury Secretary lifted sentiment.

The Dow Jones Industrial Average rose 1.12%. The S&P 500 was up 0.61%, while the Nasdaq Composite added 0.22%.

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Biden will nominate Yellen as Treasury Secretary, the Wall Street Journal reported. During her tenure at the Fed, Yellen was viewed as pro-stimulus, and if nominated is widely expected to support fiscal-boosting measures to shore up the economy. The news pushed stocks further into the green, following a positive vaccine-fueled rally.

AstraZeneca said its clinical trials showed its Covid-19 vaccine was 70% effective in protecting against the virus. That was below the efficacy rate of rival vaccines from Pfizer, and Moderna. The trial involved two dosing regimens, one of which showed a 90% efficacy rate, and the other with 62%.

In another boost in the fight against the virus, Regeneron's coronavirus antibody cocktail, used by President Trump when he was hospitalized with Covid-19 last month, was granted emergency use authorization by the Food and Drug Administration. Regeneron Pharmaceuticals shares were up nearly 1%.

The backdrop of positive coronavirus treatment-related news prompted investors to up their bets on airlines, banks, and cruise operators – sectors hit hard by the pandemic amid global restrictions to curb the virus.

United Airlines, Delta Air Lines, and American Airlines Group were sharply higher.

Energy, meanwhile, surged nearly 5% on hopes a quicker end to the pandemic could shore up demand. Occidental Petroleum led the gains in the sector, up 16%.

Tech, meanwhile, turned positive after falling into the red earlier in the day, as gains in chip stocks, led by Micron Technology, helped offset mixed performance in the Feb 5.

Apple, and Alphabet traded lower, while Amazon.com Facebook, and Microsoft traded above the flatline.

In other news, Snap jumped 4% after launching a feature on its platform to rival TikTok and Instagram Reels.

On the economic front, the composite Purchasing Managers' Index, which tracks activity in both manufacturing and services together, rose at its fastest pace since March 2015.

FX - Pound Rises as Vaccine Progress, Brexit Optimism Bolster Outlook

Source: Bloomberg

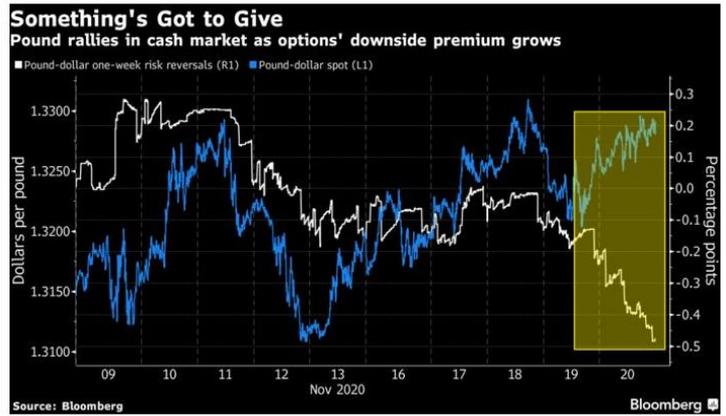
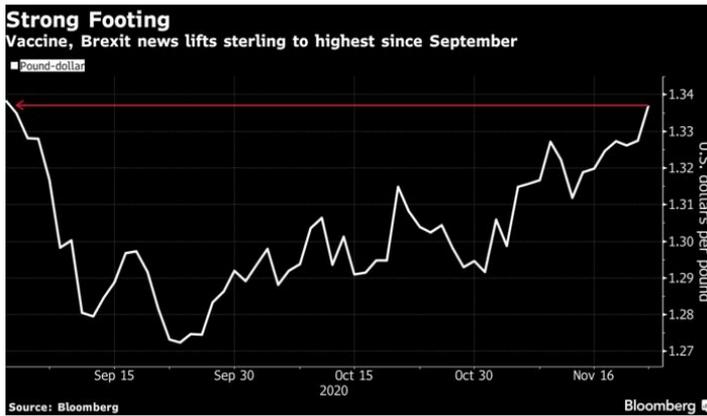
The pound rallied the most among major peers as signs the U.K. and European Union are close to agreeing a trade deal, and the latest progress in the development of a coronavirus vaccine added to optimism over the currency's prospects.

Sterling rose as much as 0.9% to \$1.3397 extending an advance that sent the currency to the highest level since early September. The pound climbed as much as 0.6% against the euro.

While results of a Covid-19 vaccine developed by the University of Oxford and AstraZeneca Plc published Monday showed it was less effective than those by Pfizer Inc. and Moderna Inc., it has some advantages when it comes to distribution. Not only is it cheaper, but it can also be stored at refrigerator temperature.

Sterling has been one of the main beneficiaries of the growing optimism for a vaccine, which would boost the services-driven U.K. economy stifled by lockdowns. It's also been spurred by hopes the U.K. and EU will sign a trade deal, and the Chancellor of the Exchequer Rishi Sunak's pledge to shore up growth with further borrowing.

Officials from the U.K. and EU sounded upbeat about the prospect of trade deal, with face-to-face talks set to resume in London around the middle of this week. And Sunak will announce an increase in spending on infrastructure and public services on Wednesday.



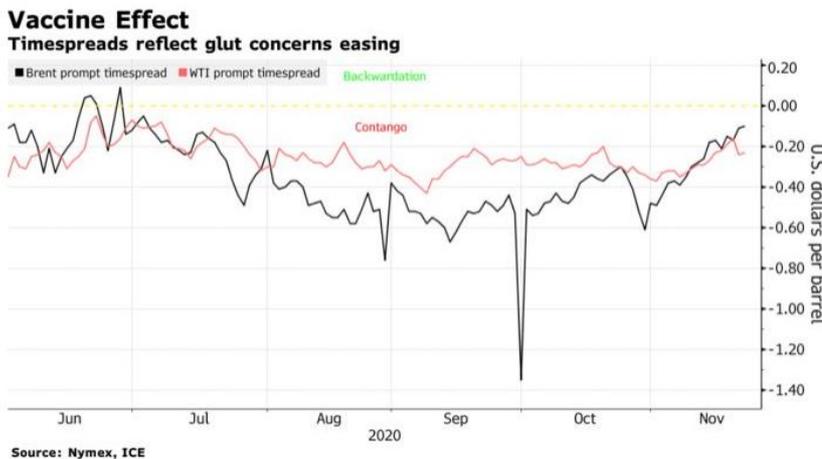
A Brexit deal is largely priced in to the pound, options show. With the market expecting an accord to materialize, a breakdown in talks would see a much larger move lower in the cash market than any rally off of news of a deal.

One-week risk reversals, a measure of sentiment, rallied to 73 basis points in favour of dollar gains, a premium only seen twice since late September, before easing to 47 basis points.

“The market is currently pricing in a lot of good news for the pound, but we think it still may have some room to run,” said Ned Rumpelton, head of FX strategy at TD Securities. “It looks a little early to start fading this move, especially as market liquidity will start to diminish ahead of the U.S. holiday later this week.”

COMMODITIES - Oil Hits 12-Week High With Vaccine Hopes Bolstering Demand View

Source: Bloomberg



Rene Oil hit its highest level since early September as signs that Covid-19 vaccinations in the U.S. could start as soon as December raised hopes for a pickup in the long-ailing demand outlook.

Futures rose as much as 2.2% in New York, following a broader market rally as AstraZeneca Plc became the latest company to report a vaccine that protects most people. Vaccinations will “hopefully” start by Dec. 12, Moncef Slaoui, head of the U.S.

government’s Operation Warp Speed program, said on CNN. Strong manufacturing out of the U.S. and Germany also buoyed crude.

The prospect of a treatment has reshaped the oil futures curve, with near-term prices rebounding more than later-dated ones. Small pockets of the WTI curve moved into a bullish backwardation structure on Friday, and those gains continued early Monday.

West Texas Intermediate for January delivery climbed 34 cents to \$42.76 a barrel at 10:24 a.m. in New York. Prices earlier rose 94 cents to the highest since Sept. 1. Brent for January settlement gained 65 cents to \$45.61 a barrel.

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The firming of the oil futures curve is a sign that the market expects a rapid tightening of supplies ahead, RBC analysts Michael Tran and Helima Croft wrote in a report. The move higher has been one of the largest in recent years, they said.

There are signs that the market is already seeing falling inventories. The amount of oil stored on tankers at sea fell to 115 million barrels last week, the lowest since April, according to Vortexa data.

ECONOMIC CALENDAR FOR TOMORROW (GMT +2:00)

Source: investing.com

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
Tuesday, November 24, 2020						
08:00	EUR	★ ★ ☆	German GDP (YoY) (Q3)		-4.1%	-11.3%
08:00	EUR	★ ★ ★	German GDP (QoQ) (Q3)		8.2%	-9.7%
10:00	EUR	★ ★ ☆	German Business Expectations (Nov)		93.5	95.0
10:00	EUR	★ ★ ☆	German Current Assessment (Nov)		87.0	90.3
10:00	EUR	★ ★ ★	German Ifo Business Climate Index (Nov)		90.1	92.7
12:30	GBP	★ ★ ☆	MPC Member Haskel Speaks 🔊			
14:00	EUR	★ ★ ☆	German Buba Mauderer Speaks 🔊			
14:15	EUR	★ ★ ☆	ECB's Schnabel Speaks 🔊			
15:00	USD	★ ★ ☆	S&P/CS HPI Composite - 20 n.s.a. (YoY) (Sep)		5.1%	5.2%
15:00	EUR	★ ★ ★	ECB President Lagarde Speaks 🔊			
16:00	USD	★ ★ ★	CB Consumer Confidence (Nov)		98.0	100.9
Tentative	GBP	★ ★ ★	Autumn Budget 🔊			
17:00	USD	★ ★ ☆	FOMC Member Bullard Speaks 🔊			
17:00	EUR	★ ★ ☆	German Buba Beermann Speaks 🔊			
18:00	USD	★ ★ ☆	FOMC Member Williams Speaks 🔊			
18:45	USD	★ ★ ☆	FOMC Member Clarida Speaks 🔊			
18:45	EUR	★ ★ ☆	ECB's Lane Speaks 🔊			
22:30	USD	★ ★ ☆	API Weekly Crude Oil Stock			4.174M

Source : Ft.com/[Reuters](http://Reuters.com)/[Bloomberg](http://Bloomberg.com)/[Investing](http://Investing.com)/[Daily FX](http://DailyFX.com)/[Deutsche Bank](http://DeutscheBank.com)/[Boursorama](http://Boursorama.com)/[JP Morgan](http://JP Morgan.com)

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