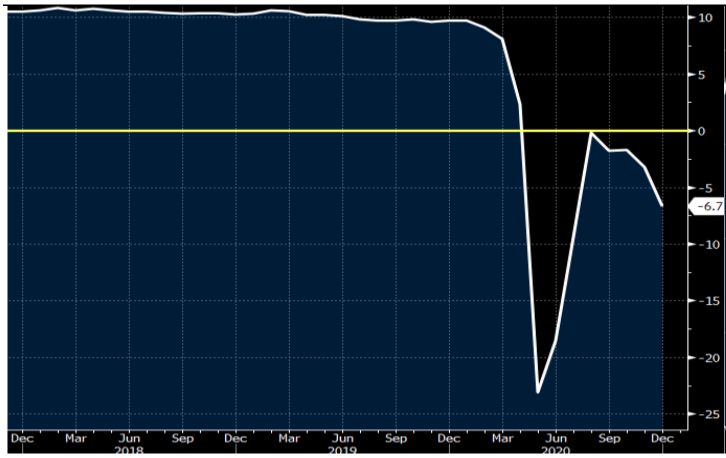
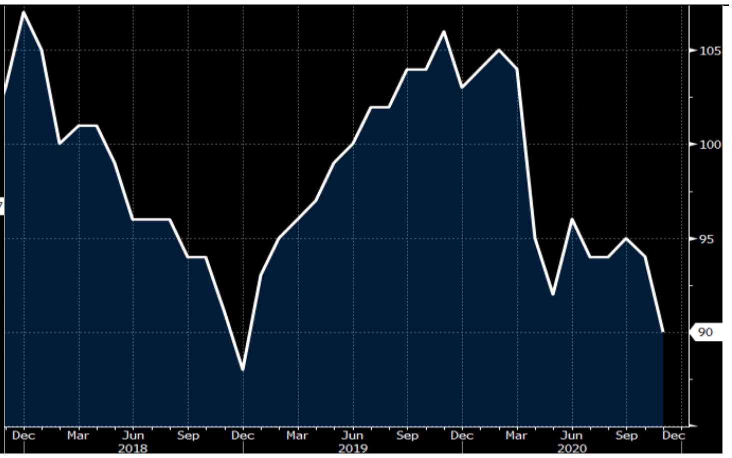
THE NIGHT OUTLOOK

Thursday, 26th November 2020

GRAPHIC OF THE DAY





(1) Germany December GfK consumer confidence -6.7 vs -5 expected (SOURCE: BLOOMBERG)
(2) France November consumer confidence 90 vs 92 expected (SOURCE: BLOOMBERG)

GERMANY

The **GfK Consumer Climate Indicator in Germany dropped to a five-month low of -6.7 heading into December 2020**, from a revised -3.2 in the prior month and below market consensus of -5, as sentiment was hit by a partial lockdown to curb a second coronavirus wave. (Chart 2)

The gauge for economic outlook fell 7.3 points to -0.2, the lowest figure since May of this year when it stood at -10.4. Also, the **income expectations sub-index declined 5.2 points** to 4.6, and the **willingness to buy indicator dropped 6.5 points** to 30.5.

FRANCE

- **The consumer confidence in France plunged to 90 in November of 2020** from 94 in October, worse than market expectations of 92. **It is the lowest reading since December of 2018**, as the country entered a second coronavirus lockdown. (Chart 2)

Households were much more pessimistic concerning their future financial situation (-14 vs -9); the share of households considering it is a suitable time to make major purchases decreased markedly (-27 vs -19); and the share of households considering it is a suitable time to save has increased again (35 vs 32).

Consumer confidence in France has hovered below its long-term average of 100 since April when the coronavirus pandemic started.

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	3,629.65	3,635.50	3,635.50	3,617.76	-0.16%
Nasdaq	12,094.40	12,053.89	12,114.77	12,020.95	+0.00%
S&P/TSX	17,338.17	17,306.15	17,366.62	17,301.93	+0.14%
Bovespa	110,136.60	110,132.53	110,205.15	109,418.33	+-0.01%
Euro Stoxx 50	3,510.94	3,518.67	3,524.08	3,508.70	-0.03%
FTSE 100	6,362.93	6,391.09	6,412.65	6,349.53	-0.44%
CAC 40	5,566.79	5,589.38	5,592.78	5,559.72	-0.08%
DAX	13,286.57	13,315.21	13,316.19	13,274.89	-0.02%
IBEX 35	8,104.60	8,184.80	8,184.90	8,086.70	-0.74%
FTSE MIB	22,201.44	22,385.25	22,387.26	22,201.44	-0.46%
Topix 100	1,145.55	1,133.17	1,146.59	1,133.17	+0.62%
Nikkei 300	370.89	367.28	371.17	367.10	+0.62%
Hang Seng	26,819.45	26,695.25	26,819.45	26,612.00	+0.56%
Shanghai	3,369.73	3,360.06	3,371.45	3,344.28	+0.22%

RATES

Name	Last	Open	Chg. %
Italy 10Y	0.564	0.586	-0.44%
U.S. 10Y	0.883	0.887	+0.14%
Germany 10Y	-0.590	-0.566	-0.68%
Japan 10Y	0.019	0.019	-26.92%
France 10Y	-0.352	-0.327	-0.86%
U.K. 10Y	0.283	0.319	+0.35%
Spain 10Y	0.049	0.075	-7.55%

CURRENCIES

Name	Last	Open	Chg. %
USD/CAD	1.3017	1.3004	+0.13%
EUR/USD	1.1913	1.1915	-0.00%
USD/JPY	104.25	104.44	-0.20%
USD/CNY	6.5756	6.5648	+0.01%
EUR/CAD	1.5507	1.5492	+0.13%
GBP/USD	1.3357	1.3374	-0.18%
EUR/GBP	0.8919	0.8901	+0.21%
EUR/JPY	124.18	124.42	-0.20%
EUR/MXN	23.8703	23.7676	+0.49%

MARKETS – ECB flags more stimulus ahead as financial conditions tighten

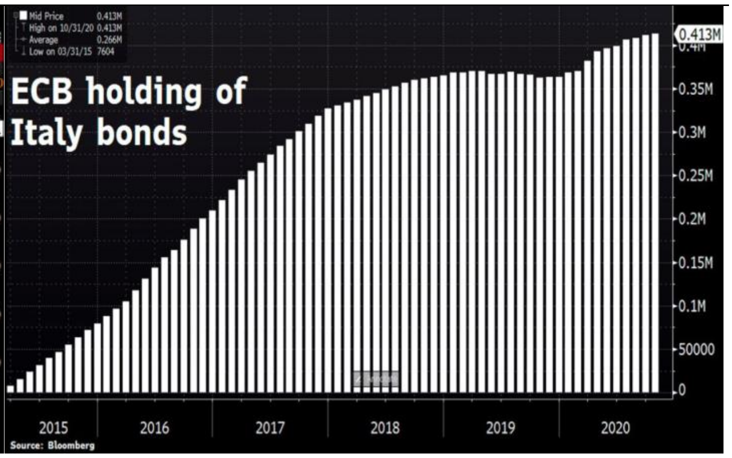
Source: ft.com

The **European Central Bank has sent fresh signals that it is gearing up to inject more monetary stimulus into the eurozone's flagging economy**, as its chief economist cited "worrying signals" that financial conditions for banks and small businesses are tightening.

The **minutes of last month's rate-setting meeting**, which were published on Thursday, **painted a grim outlook for the eurozone economy**, concluding it was likely to be "**bumpier than previously projected**" because of the need for coronavirus restrictions that were likely to continue next year. "It could not be excluded that the euro area, or at least some countries, would experience a double-dip recession," they warned.

The ECB governing council also discussed how the **second wave of the pandemic could result in "more widespread business closures in a number of sectors, for example retail trade**", according to the minutes.

The minutes were published shortly after Philip Lane, chief economist at the ECB, warned that businesses' demand for loans and the availability of credit were both contracting. Speaking at Trinity College Dublin, he said he was worried about the possibility of "a mutually reinforcing adverse loop" **if banks view falling loan demand as a negative indicator for the economy and companies draw the same conclusion as banks tighten their lending criteria**. He added there was a risk of "an unwarranted tightening of funding conditions" if governments delivered an insufficient fiscal response to the economic fallout from the pandemic.



(1) 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).
(2) ECB holding of Italy bonds 0, 413m€. Even id the ECB were to cancel all the debt it holds from Italy, that would be only a drop in the ocean (SOURCE: BLOOMBERG)

The ECB said last month that it would "recalibrate" all its monetary instruments and announce the outcome at its next policy meeting on December 10, when analysts expect it to expand both its bond-buying programme and ultra-cheap loans to banks.Investors interpreted the latest statements as strengthening the chances of a sizeable package of monetary easing measures. **Sovereign bond yields fell in many countries**, including a **2 basis point fall in Germany's 10-year Bund** yield to minus 0.59 per cent and a **dip in Portugal's 10-year bond yield into negative territory for the first time**. Bond yields fall when their prices rise.
However, the minutes of last month's ECB meeting also indicated that some council members were growing uneasy at the prospect of further monetary stimulus, expressing concern over "possible non-linearities, side effects". "With markets having stabilised since the introduction of the pandemic-related monetary policy measures in March, **it was noted that additional asset purchases might not have the same impact on financial conditions and real economic activity as they had earlier in the year**" the minutes said.
Recent breakthroughs on developing coronavirus vaccines are causing some ECB policymakers to question how much monetary support the economy will need. "If you had asked me a few weeks ago, I would have said the outlook had gotten slightly worse than perhaps when we discussed it in September," Gabriel Makhlouf, head of Ireland's central bank and ECB council member said. "On the other hand, **we will have to evaluate the emergence of the vaccine and what that might mean for activity and recovery**."
However, Mr Lane said that while the recent vaccine news was "very welcome and reduces the likelihood of the most severe scenarios", he believed that "the **current surge in infections and the reimposition of containment measures serve as warning signals that the recovery path will still be long and fraught with risks**".

COMMODITIES – Gold Hovers Above $1,800 as U.S. Data Disappoints, ETFs Decline

Source: bloomberg.com

Gold continued to hover above $1,800 an ounce after disappointing economic data pointed to a rocky recovery in the US, while bullion-backed exchange-traded funds saw further outflows.

Applications for U.S. state unemployment benefits unexpectedly posted the first back-to-back weekly increase since July, while Americans' incomes and savings fell last month. The data indicate the economic rebound is becoming more tenuous amid soaring coronavirus cases, fresh lockdowns and an extended deadlock in Congress over a new stimulus package. **European stocks and U.S. equity futures steadied.** Still, **gold prices are heading for a fourth straight monthly** decline as progress on Covid-19 vaccines lifted risk sentiment and damped demand for havens. **Some investors appear to be abandoning bullion, with ETFs poised to post the first month of outflows this year** after holdings surged to a record in October.

"We are cautious as many investors have bought gold and they are getting more nervous," Georgette Boele, senior precious metals strategist at ABN Amro Bank NV, said in a note. "**They start to fear that we may have seen the peak**. If that is the case, it could take a long time before we see the level of $2,000 again."

Spot gold is still heading for a third weekly decline. **Silver was little changed, platinum fell and palladium gained**.

ECONOMIC CALENDAR FOR TOMORROW (GMT +1:00)

Source: investing.com

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
			Friday, November 27, 2020			
		Holiday	United States - Thanksgiving Day - Early close at 13:00			
00:30	JPY	★★☆	Tokyo Core CPI (YoY) (Nov)		-0.7%	-0.5%
00:30	JPY	★★☆	CPI Tokyo Ex Food and Energy (MoM) (Nov)			0.3%
08:00	GBP	★★☆	Nationwide HPI (MoM)		0.2%	0.8%
08:00	GBP	★★☆	Nationwide HPI (YoY)		5.9%	5.8%
08:45	EUR	★★☆	French Consumer Spending (MoM) (Oct)		2.9%	-5.1%
08:45	EUR	★★☆	French CPI (MoM) P		0.0%	0.0%
08:45	EUR	★★☆	French GDP (QoQ) (Q3)		18.2%	13.7%
08:45	EUR	★★☆	French HICP (MoM) P		0.1%	0.0%

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

DISCLAIMER