Weekly Market Summary

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It's Complicated ... Till You Receive & Go Through Your Weekly GIB Market Update!
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Latest Update on Coronavirus: Confirmed cases last at 42.05 million, with the death toll from the pandemic at 1,143,725. Democratic presidential nominee Joe Biden blamed Donald Trump for the deaths of more than 220,000 Americans in the coronavirus pandemic, saying Trump doesn't deserve re-election. A large surge in US cases over the past days mirrors those seen in Europe, where governments have started deploying curfews and other restrictions more widely. The outbreak has gained momentum with France reporting record 41,622 new cases yesterday. This in turn will force the European Central Bank to step up stimulus later this year according to economists surveyed by Bloomberg. Remdesivir, given to President Trump as a Covid-19 treatment, has received approval from the Food and Drug Administration. Meanwhile, Moncef Slaoui, co-leader of the US government's Operation Warp Speed effort, is growing very confident that Pfizer's and Moderna's mRNA vaccines to prevent COVID-19 will succeed in phase 3 trials (music to Bill & Melinda Gates' ears, whose foundation invested large amounts in both pharmaceutical companies many years back!)

"*It's Complicated*" is a hilarious 2009 American romantic comedy starring Meryl Streep as a successful bakery owner and single mother of three who starts a secret affair with her former husband, played by Alec Baldwin, ten years after their divorce – only to find herself drawn to another man, namely her architect Adam (portrayed by Steve Martin). The film opened on Christmas Day, played well through the holidays into January 2010, and ultimately closed on April 1st, 2010 with $112.7 million in the US and Canada alone. Worldwide, "*It's Complicated*" grossed $219.10 million and got nominated for two Golden Globe nominations, Best Motion Picture and Best Screenplay!

Off-screen, financial markets too have gotten far more complex / tricky in past days/weeks, as shown in the below provided "*justifications*" to describe the latest asset movements:

Equity Markets

The US equity market is expected to close very much unchanged for the week, despite wild intraday gyrations (very pleasing to all day traders!). A "*logical*" (an understatement 😊) explanation for the price action in past days is summarized below (I swear I am not making this up! Those are real breaking news headlines that have moved markets!)

Monday 19th	Morning session:	US stock futures, Asian stocks climb on stimulus talks
	Afternoon session:	US stocks retreat on stimulus concerns
Tuesday 20th	Morning session:	US stock futures rise as Pelosi, Mnuchin work towards stimulus
	Afternoon session:	US stocks retreat as stimulus nears election endgame on Pelosi deadline

Wednesday 21st Morning session: US stock futures recover amid cautious stimulus hopes, solid earnings

Afternoon session: US stocks hold to earlier gains. White House says goal is fiscal stimulus deal in next 48 hours. Pelosi, Mnuchin to talk stimulus again Thursday as gap narrows.

Thursday 22nd Morning session: US stock futures fall as investors weigh positive corporate earnings against delays in economic stimulus

Afternoon session: US stocks advance as Aid-deal talks continue and House Speaker Pelosi says she is "*hopeful*"

Friday 23rd Morning session: US stock futures fluctuate following final trump-Biden debate, as discussions over a spending bill continue

Afternoon session: ***Who really knows?! I am guessing: Stocks sell-off as skepticism grows on Pre-Election stimulus*** 😊

<u>Oil Markets</u>

Brent and WTI oil prices are on course for mild weekly losses of between 1% and 2% (tiny compared to previous months' weekly moves).Whilst downside risks predominate - as a result of a sharp climb in Covid-19 cases, a continued increase in Libyan oil production as well as the potential for Iranian oil to possibly return to markets if Joe Biden wins the presidential election – prices continue to be well supported with every decline usually reversed within hours as a result of:

- *Saudi Oil Minister's Intimidations*: "*We will never leave this market unattended*," Prince AbdulAziz bin Salman was quoted saying almost a month back. "*I want the guys on the trading floors to be as jumpy as possible. I am going to make sure whoever gambles on this market will be 'Ouching like Hell'*

- *Nipping the Bud!* Following two phone calls in a week between Saudi Arabia's Crown Prince Mohamed Bin Salman and Putin, both leaders and their countries' oil ministers have displayed a united front. Top energy officials from both countries have lately offered similarly bearish views on the oil market, with prince AbdulAziz bin Salman warning of an "*uncertain*" outlook and calling on OPEC+ to be "*proactive*", whilst Alexander Novak stressed that the oil cartel should be "*able to take measures to head-off negative trends and developments – To nip them in the bud"* (Cambridge Dictionary's definition of "Nip something in the Bud": Stop something before it has an opportunity to become established😊)

- *Vladimir Putin's Grand Finale:* "*Russia doesn't rule out delaying scheduled production hikes by the OPEC+ alliance,*" President Vladimir Putin said yesterday, the latest sign the cartel could restrain crude output for longer as the pandemic crimps demand again. Production cuts are due to be eased – as part of a gradual tapering – from January 2021, but OPEC+ has hinted it may change tack should demand falters. Still, "*we think there is no need to change anything now*," Putin noted in his latest address to the Kremlin-backed Valdai Club.

Bond Markets

US Treasuries have witnessed continuous sell-off since mid-October, falling through key technical levels and driving yields to their highest levels since early June, as traders bet on the likelihood of a US stimulus deal and a Democratic Party election sweep (the latter is also associated with a weaker US dollar and higher imported inflation). The benchmark 10-year yield climbed yesterday to an intraday high of 0.89%, amid higher-than-normal future volumes in the European, Asian and US sessions in past days.

But surely such sell-off can't continue! (sarcastically noted😊). After all, the Federal Reserve is standing by to prevent any alarming increase in rates, no matter how much debt the Treasury sells amid the pandemic (I would personally assume that additional Fed support would come into play if yields move north of 1.00% for 10s UST). And most investors (alias the clueless herd) have been acting for months as if the US Fed had already unleashed one of the remaining tools at its disposal, yield-curve control, a policy of capping rates to keep them from rising too quickly and squishing an economic rebound. The old adage of "*Don't Fight the Fed*" will assuredly continue being at work for years. Additionally, any large increase in yields should draw foreign investors, with over $16 trillion of global investment-grade debt yielding less than zero at the moment.

And to think there was a time, not long ago, when economic performance and assets' price movements were mostly being defined by weekly/monthly economic data releases! (*do indicators such as "GDP, Payroll, CPI, Retail Sales, Housing Starts, Durable Goods" still ring a bell??* 😊)

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