

US

US stocks went further into top territory this week. S&P was up 14.50% YTD at 3,699.12 points; DJIA up 5.89% YTD at 30,218.2 points, recording the best monthly performance since 1987. Similarly, small-cap Russel 2000, up 13.36% YTD at 1,891.35 points, showed its best gain since inception, 1978.

The 2y-10y differential in the Treasury curve recorded its widest level since early 2018, as the 10y yield climbed much of the days to 0.97%.

As Opec and Opec+ oil producers agreed to ease output cut more gradually than expected, energy shares bounced back, while utilities lagged

Stocks were boosted by Pfizer and BioNTech applying for emergency use authorization in the EU, as well as the UK authorizing the distribution of the vaccine. Also, Moderna filed for authorization in the EU and USA.

Besides positive sentiment was driven by heightened probabilities for a fiscal stimulus, as advocated by FED Chairman Jerome Powell. Treasury Secretary Steven Mnuchin, who had asked for the return of the emergency funds from the Federal Reserve in the previous weeks, asked legislators to provide targeted relief tapping USD 455bn of CARES Act funds.

Higher stimulus hope, hence stronger stock prices, could have been supported by evidence of slowing economy: October nonfarm payrolls rose by only 245,000, missing consensus by half. This recorded the lowest monthly jobs growth rate since May. The unemployment rate fell to 6.7%, mainly caused by a drop in the labour force participation rate. In November, the ISM's gauge of growth in factor activity had its first m-o-m decline since April.

Credit spread tightened across the rating spectrum.

Europe

The UK's FTSE100 was the bigger gainer of the week, up 2.87% to 6,550.23 points driven the vaccine approval. Other indices did not replicate the same rally: France's CAC 40 up 0.20%, Germany's DAX index slipped 0.28%, and Italy's FTSE MIB fell 0.78%. The STOXX Europe 600 gained 0.21 % to 3,940.04 points.

Eurozone bonds prices were down overall, with 10y Bund to %. November has been the fourth consecutive month of negative inflation, as consumer prices declined 0.3% YoY. As a consequence, greater expectations that the ECB could pursue additional stimulus in December put pressure on yields.

On the Coronavirus side, it seemed that the rate of infections in Europe continued to level off, with the UK showing a drop of 30%. Italy imposed stricter mobility rules for limiting a possible surge in infection during the holidays, while some countries will ease tough restrictions later this month. Germany protracted the partial lockdown until mid-January.

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On the political front, the European Commission (EC) said to have found possible ways of circumventing Poland and Hungary's veto on the EUR 750 bn pandemic recovery fund. It is ready to proceed without the two countries if they continue to block Europe's proposed seven-year budget.

The Brexit saga continued, with hopes fading on Friday as disagreements on fishing rights, state aid, and other contentious issues persisted.

Rest of The World

Japanese stocks showed mixed results. The Nikkei 225 Stock Average advanced 0.4% to 26,751.24 points, up 13.1% YTD. The large-cap TOPIX Index and the TOPIX Small Index, broader measures of Japanese stock market performance, recorded modest weekly declines.

Industrial production surged 3.8% m-o-m in October, notching a fifth consecutive monthly improvement. Industrial machinery, automotive, and electronics drove the index. Core capital goods shipments were at the highest levels since the start of the global pandemic. Overall, fourth-quarter industrial production is supposed to show further improvement.

Supported by solid economic data, Chinese stocks recorded the third straight weekly gain. CSI 300, the large-cap index, went up 1.7%, while the Shanghai Composite Index gained 1.1%. China 10y yield was 3 basis points to 3.33%.

Official Chinese manufacturing PMI rose to 52.1 in November from October's 51.4, recording the ninth straight month positive territory and sustained recovery. Similarly, the private Caixin/Markit manufacturing PMI was up to 54.9 in November from 53.6 October, the highest measure since 2010 and the seventh straight expansion month.

Turkish stocks averaged +0.2% over the week. The three central bank's lending rates exceed the 12-month inflation rate (14.03%), with the one-week repo auction rate at 15.00%, the overnight lending rate at 16.50%, and the late liquidity window facility rate at 19.50%.

Also, Brazilian stocks were higher: the Bovespa Index returned about 2.8% over the week. Brazilian third-quarter gross domestic product increased by almost 8% quarter-on-quarter, on a seasonally adjusted annualized basis.

FX and Oil

On the currency side, USD weakness has deepened, with EUR/USD reaching 1.21. JPY lagged taking part in the US selloff with EUR/JPY above 126, but CHF performed well with EUR/CHF at 1.08 and USD/CHF to its lowest since 2015 (0.80). Algo GBP suffered from EUR strengths with EUR/GBP reaching 0.90.

Oil edged higher after oil produced agreed on easing oil output slower than previously decided. WTI futures closed at USD 46.09 and Brent ones at USD 49.05.

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