

Global Market Watch

Global markets
Periodic
December 16, 2020

What's moving markets

- The first half of December saw positive news about the vaccines. First the UK's health authority approved the emergency use of Pfizer's/BioNTech vaccine making it the first country to roll-out the mass vaccination program, while later on 10th of December the FDA approved Pfizer vaccine for emergency use in US. The news was welcomed by the markets positively.
- As expected, the ECB's Christine Lagarde announced that the European Central Bank would expand its pandemic emergency bond-buying programme by another € 500bn from €1.35tn to €1.85tn and extend it to March 2022. The news caused EUR to climb by 0.5% to its highest level during the year. The ECB also said that Eurozone economy is expected to contract by 2.2% in 4Q20. Furthermore, 2021 economic growth forecast was lowered to 3.9%, assuming no post-Brexit trade deal between the UK and EU.
- Brexit negotiations, which were supposed to be finalized in the first half of December, hit another dead-end, after UK and France descended into a disagreement. France warned it could veto any trade deal between the EU and UK unless it meets its requirements. While, Boris Johnson stated that there was a strong possibility of no trade deal between the UK and the EU. Another deadline for Brexit passed, without a firm decision, however it was agreed that talks would continue.
- The first half of December recorded one of the largest IPOs. Notably, overall, 2020 is a record year for IPOs, with a total of 129 initial public offerings taking place in 2020 compared to 110 in 2019. The latest additions were DoorDash - a food delivery company holding 50% of the US market, and Airbnb – a global home-rental company. Both IPOs saw unprecedented interest from investors, with the price of DoorDash and Airbnb soaring by an astonishing 86% and 115%, respectively on the first day of trading. The IPOs values DoorDash at US\$ 60bn, while Airbnb at US\$ 100bn.
- Major American indexes traded in the range of end-November levels during the first 2 weeks of December. S&P 500 posted a marginal, 0.7% growth, over the 2-week period. Notably, within the S&P index energy stocks outperformed, bolstered by the rally in crude oil prices, bringing Brent oil above US\$ 50/barrel for the first time since the start of the pandemic. Tech-heavy NASDAQ slightly outperformed, trading at 2% high on December 14, compared to end-November levels. In Europe, rising numbers of coronavirus cases and uncertainty surrounding the post-Brexit trade deal, kept the investors on the toes. STOXX 600 was up 0.6% over the first two weeks, while FTSE 250 increased by 2.2% in the same period.



Source: Bloomberg
Note: Data as of 14 December 2020

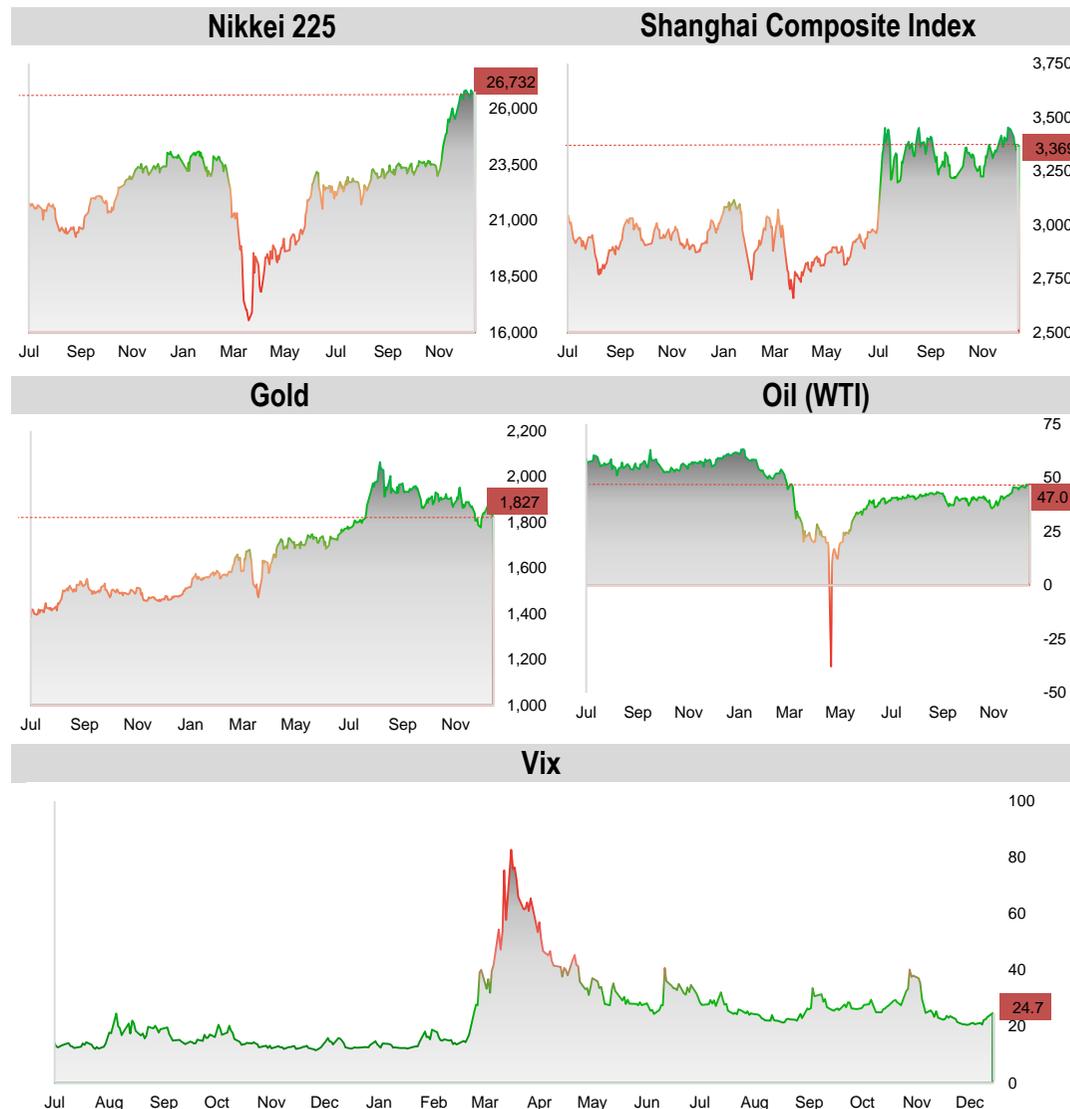
- China reported the economic data on November, proving that economy is gathering the recovery pace. Industrial production grew by 7% y/y, while retail sales grew by another 5.0% y/y. Notably, these growth rates are higher than recorded in October, showing the healthy recovery of the economy.
- Japan's new Prime Minister Yoshihide Suga approved Japan's third fiscal stimulus package of US\$ 294bn, which is aimed to speed up the country's recovery from COVID 19. Japan's Nikkei 225 index remains at the 30-year high.

Commodities

- **OPEC+ reached consensus** - after five days of difficult talks OPEC+ including Russia agreed that they would boost oil supply by only 500,000 barrels, which is one-fourth of the previously agreed level. The news was welcomed positively by the markets, with WTI and Brent oil prices jumping by c. 1.5%, hitting 9-month high. Oil prices were further lifted by the positive news on to the rollout of vaccinations in the UK and approval by FDA. Brent crude oil price surpassed the US\$ 50 level for the first time since March and was trading at US\$ 50.3 by 14 December. WTI oil price also increased, reaching US\$ 47.0/barrel by 14 December.
- Gold prices firmed during the first 2 weeks of December, with gold trading at \$1,827 per troy ounce as of 14 December, which is 2.8% higher compared to the end-November level.

Volatility

- As number of COVID cases increase and there is uncertainty regarding the US stimulus package and Brexit deal, Cboe Volatility Index, VIX, the gauge of fear in S&P market, slightly increased, reaching 24.7 by 14 December.



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Note: Data as of 14 December 2020

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