



Zenith Weekly Navigator: NOV 2nd 2020



We wrapped up the worst week since March as coronavirus cases surged, U.S. fiscal stimulus talks broke down and traders braced for next week's presidential election.

Last week we wrote: "It feels like pausing before a big move." And sure, it did!

"What exactly is everyone afraid of?"

The big wolf or the real bear? To be fair most of the reasons are well known by now.

Decent macro data and good corporate results have been brushed off lately...

IF the virus or macro fears would be the main reasons of the sell-off, we would not have seen both gold and bonds in negative territory last week.

It feels more like a "once bitten twice shy" to avoid a 2016 redux in your portfolio as both the equity market and the bond market corrected on a weekly basis...something that occurred for only the 17th time since 1962!

Heavy MACRO calendar with highlights being global PMIs and a string of CB meetings including the FED, the BoE and the RBA.

EPS season is entering its last big week or reports before cooling off into the month.

We are at critical technical supports and entering the sweet spot of investing period...

Crisis Chinese character has two meanings: danger and opportunity! Pick your kanji



Macro & Markets Rearview

It was the worst week ever before the elections and global equities had their worst week since March COVID. MSCI World declined by 5.3% and GEMS corrected by 2.9%. Not many places to hide as all assets closed in the red except for cryptos.

Technically, we remain in a consolidation phase with important supports like the September low and the February 24th gap. VIX crossed the 40 mark and fear is dictating price action for now.

The short-term trend is under pressure but we remain constructive for the long-term trend.

EPS beat ratio is strong but stock price reactions have ignored it.

2/3 of the S&P 500 have reported earnings to date for 20Q3, 84% have reported earnings above analyst expectations.

This compares to a long-term average of 65%.

Still...October had the most IPOs since June 2018...not a bearish stat in any way! Look out for ANT IPO this week.

In the commodity space, oil collapsed as it failed again at the 41\$ bar. It declined by 10%.

Most commodities suffered on rising USD.

In Fixed income, the US 10-year yield rose three basis points last week, but the fact that it rose at all in the face of the biggest slide in stock since March is notable. It finished at 0.87%, the highest in nearly five months, and closed above the 200d MAV for the first time since late 2018.

However, in Europe bonds rallied on ECB dovish talks and virus lockdown macro impact.

FX: USD has a good week and bounced back but remains in a range. Commodities currencies suffered (CAD, AUD, NZD). European renewed lockdowns and a dovish ECB torpedoed the EURO last week.

Oil declined triggered sell-off in the Ruble and the Krone.

Economically, the news remains decent despite having shifted in a lower gear.

In the US, the GDP bounced back from its COVID plunge but remains negative on a y-o-y basis. Housing data are still good in general. Personal income is encouraging too. In Europe, GDP bounced back too with German GDP up by 8.8% but it is eclipsed by the generalized lockdown on the old continent.

Where to go from here? We are entering the most bullish period from early November until mid-January and we are right at critical support. It could go either way (3970 or 2850 out of box) but political uncertainty seems priced in.

Week Ahead

Huge economic calendar week and a still very heavy EPS agenda.

US presidential elections results this week...

Relevant data to be scrutinized: Global PMIS, US ISM and labor data.

CB meetings this week: FED, BoE, Australia, Malaysia and Norway.

GDP Q3 in Indonesia and Sweden.

EPS week will be the last big one (see below for details).

Quote of the week

"Humble pie takes time to eat because it tastes disgusting"



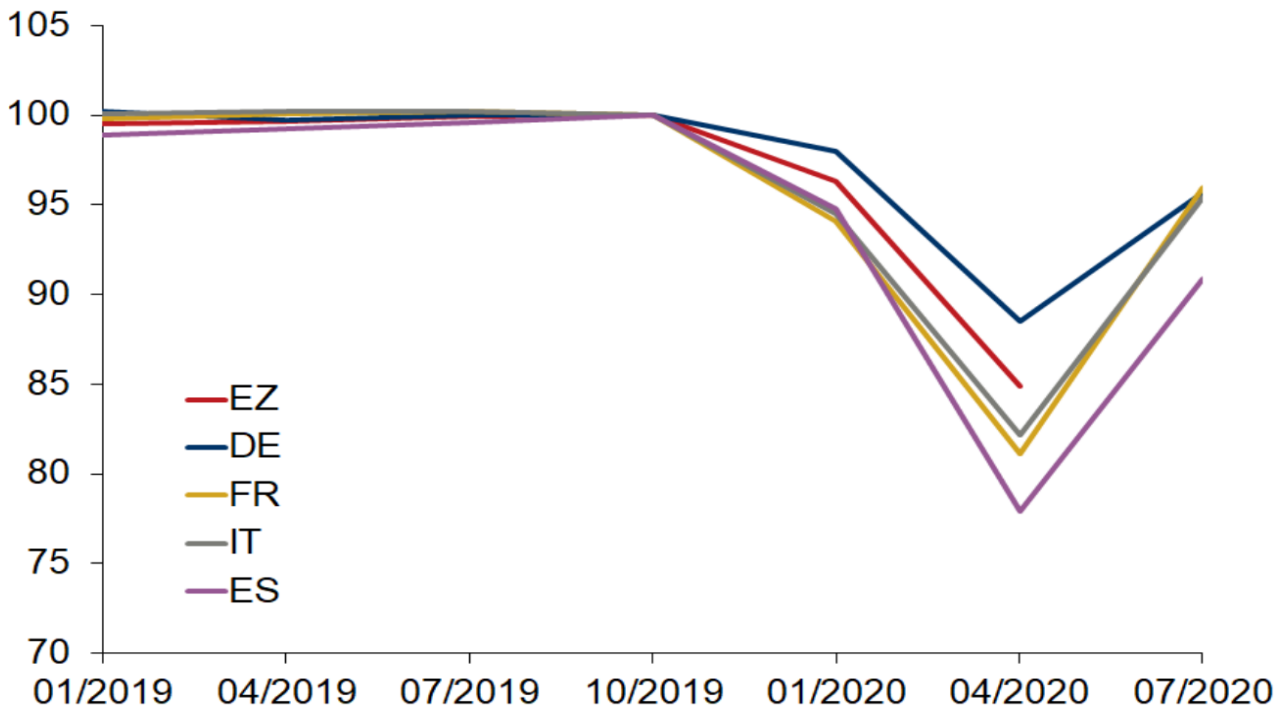
Graphs of the week

1. GLOBAL ECONOMY

European economies bounced back with a growth of 12.7%...

Eurozone: Real GDP

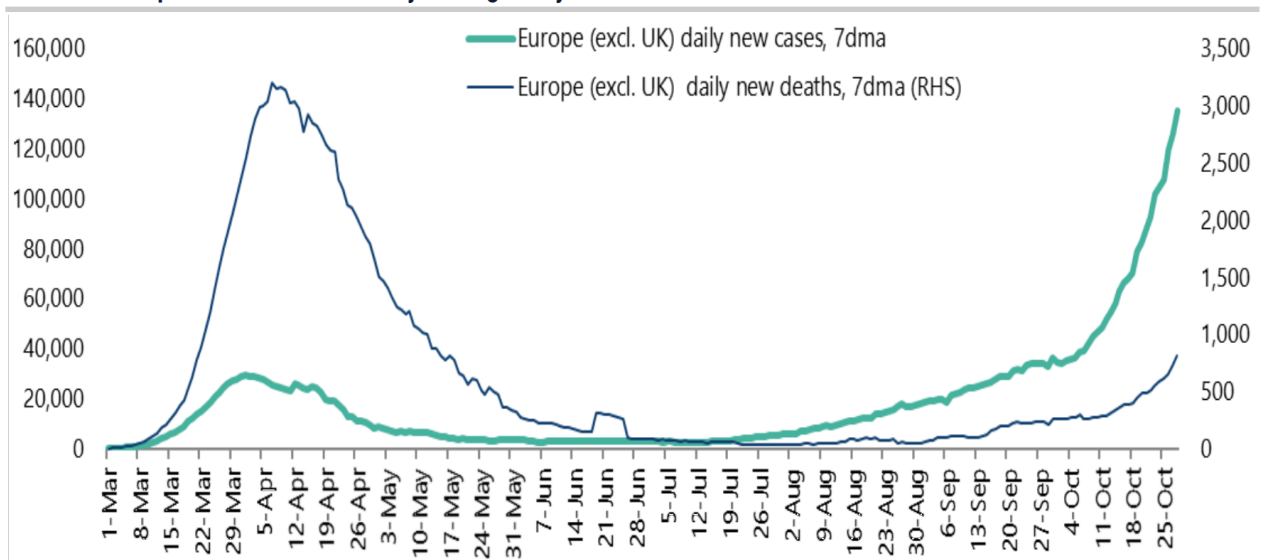
Q4 2019=100



Source: Oxford Economics/Haver Analytics

BUT considering the lockdown “reloaded” ...the double-dip risk is becoming quite real.

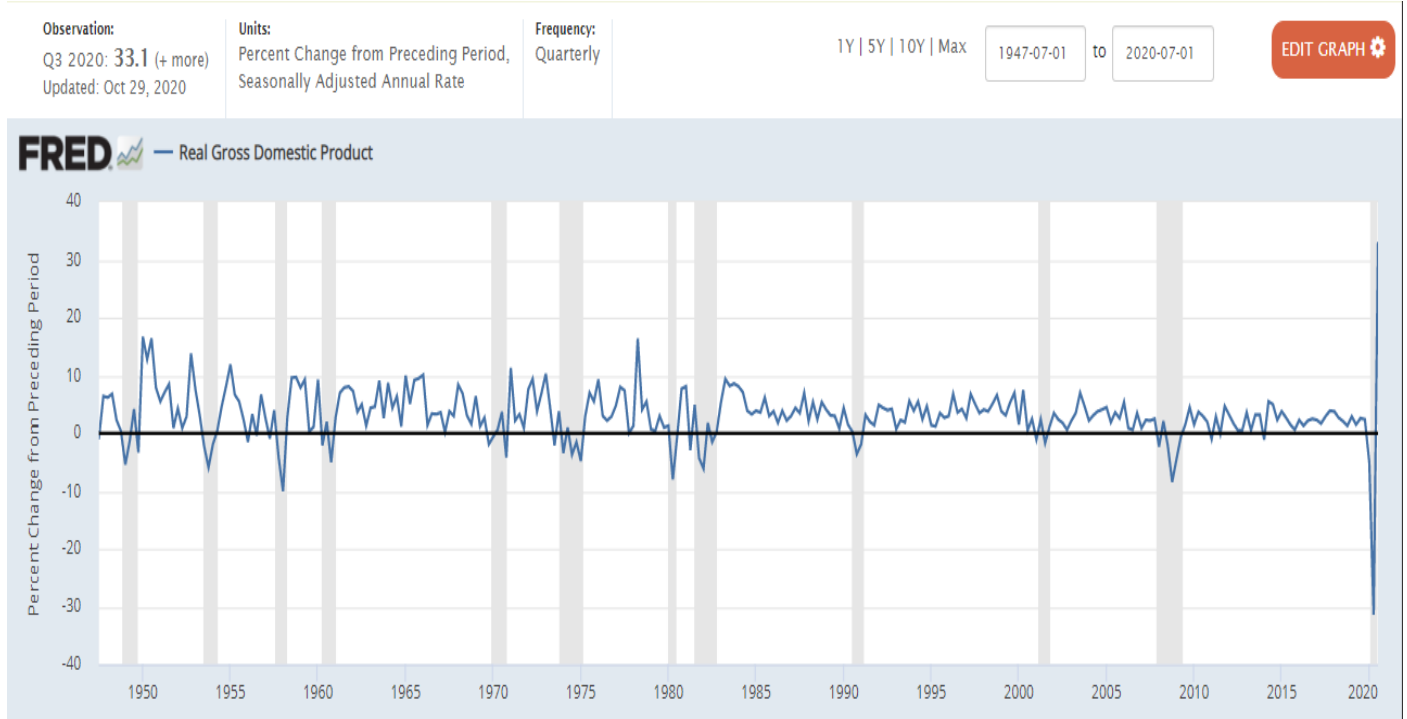
Exhibit 4: Europe ex-UK Covid-19 7-day average daily new cases and deaths





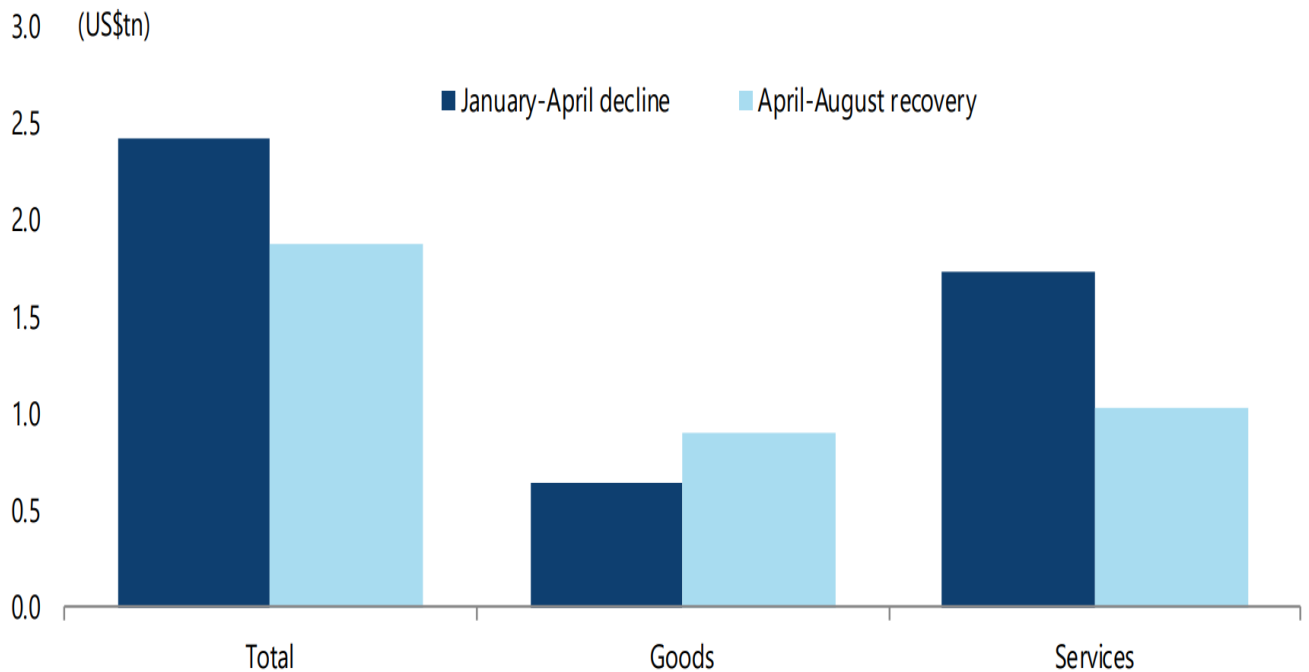
2. COUNTRY SPECIFIC

US GDP bounced back but the bounce reversed 66% of the GDP plunge in Q1-Q2 and leaves GDP still 2.9% below the level in Q3 of 2019.



3/4 of consumption has recovered its pre-COVID level BUT services is still languishing at 60%.

Exhibit 6: US real personal consumption expenditure: January-April decline and April-August recovery



Source: US Bureau of Economic Analysis



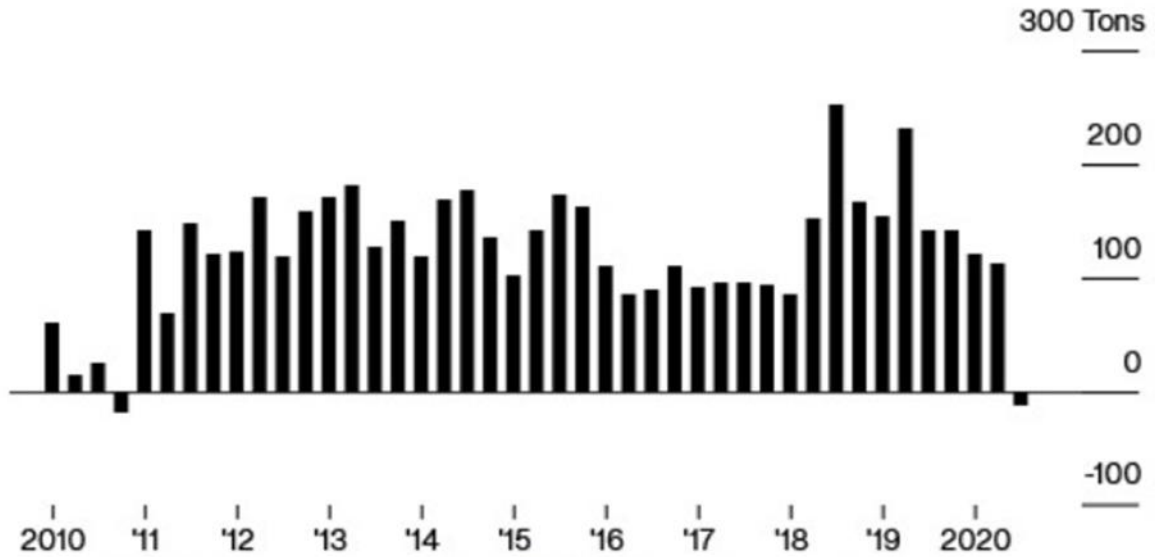
3. COMMODITIES

Central banks are enjoying the high prices of gold...and unloaded some gold bars...

Cashing In

Central banks were net sellers of gold for the first time in a decade

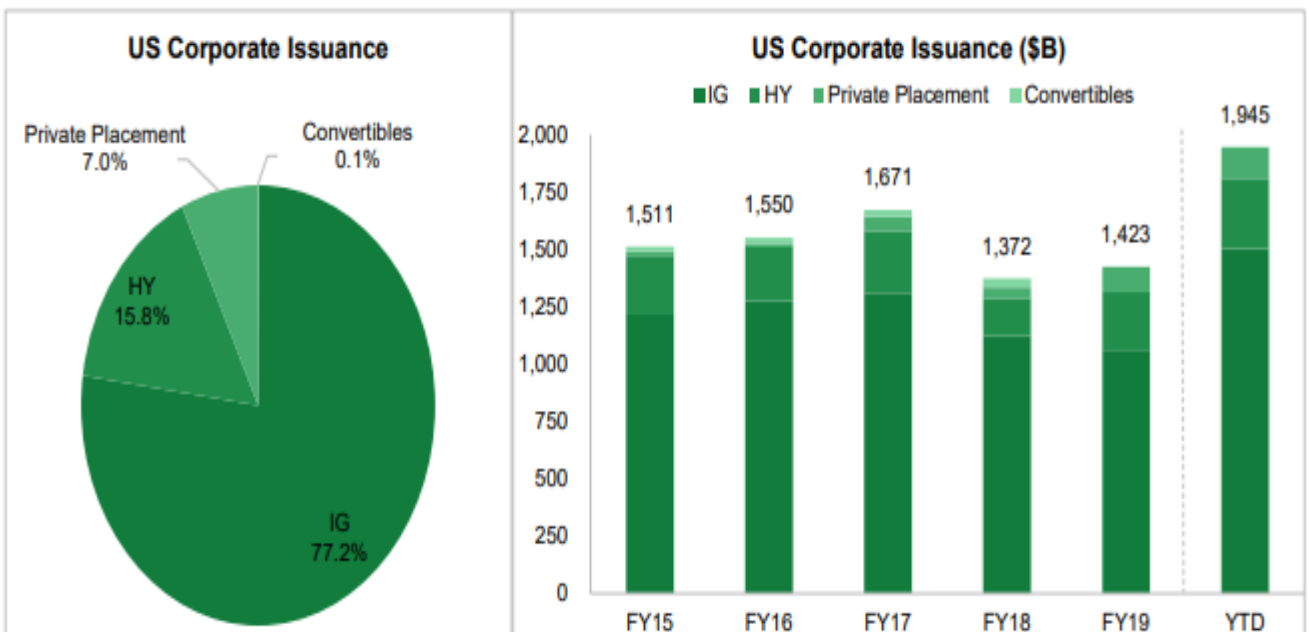
■ Quarterly net gold purchases



Source: Metals Focus, Refinitiv GFMS, World Gold Council

4. FIXED-INCOME & CENTRAL BANKS

US corporate bond issuance rose by 70% YoY to a record US\$1.94tn in the first nine months of 2020





5. FX

USD rallied last week BUT remains stuck in a tight range. Dovish ECB helped.



6. EQUITIES

Strong results so far and the last big week of earnings before its calms down. Still the revisions trend remains pretty good.

Expected Y/y growth (IBES data by Refinitiv)

Date	Q3 '20 EPS	Q4 '20 EPS	Q1 '21 EPS	Q2 '21 EPS	Q3' 20 Rev	Q4 '20 Rev	Q1 '21 Rev	Q2 '21
30-Oct-20	-10.2%	-12.1%	14.6%	43.7%	-2.9%	-2.2%	5.7%	12.6%
23-Oct-20	-16.7%	-12.4%	14.2%	44.4%	-3.6%	-2.5%	5.6%	12.5%
16-Oct-20	-18.7%	-12.5%	14.0%	44.7%	-3.9%	-2.6%	5.6%	12.3%
9-Oct-20	-21.0%	-13.4%	12.6%	43.9%	-4.4%	-2.8%	5.4%	12.3%
2-Oct-20	-21.5%	-13.5%	11.8%	44.1%	-4.4%	-2.8%	5.0%	12.4%
25-Sep-20	-21.70%	-13.50%	12.10%	44.30%	-4.50%	-2.80%	5.10%	12.40%
18-Sep-20	-21.80%	-13.50%	12.40%	43.50%	-4.50%	-2.70%	5.30%	12.60%

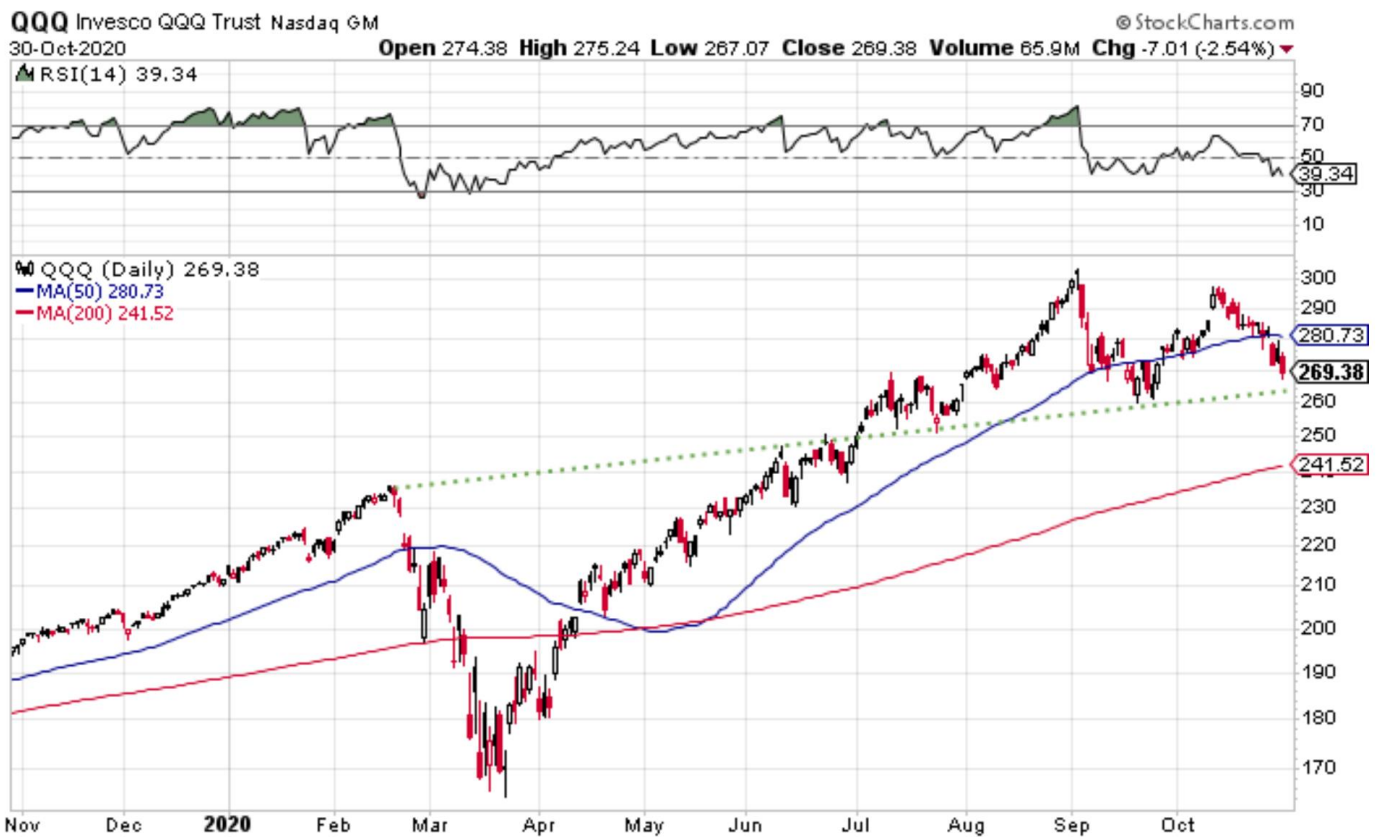
Lots of stuff to watch for this week...

Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open

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7. STOCKS: technical corner

Nasdaq and growth suffered this week and an important support is looming...





8. ALTERNATIVES SPACE: US REAL ESTATE: RENTAL MARKET under pressure!

It is clear that migration to suburbs and work-from-home trend is denting the market of the major cities!

The 17 Most Expensive US Rental Markets

October 2020, median asking rents

One bedroom		From	Prior	Change from		Record
City	Price	yr ago	record	record		month
1 San Francisco, CA	\$2,800	-20.7%	\$3,720	-\$920	-24.7%	Jun-19
2 New York, NY	\$2,550	-15.0%	\$3,370	-\$820	-24.3%	Mar-16
3 Boston, MA	\$2,210	12.6%	\$2,530	-\$320	-12.6%	Oct-19
4 San Jose, CA	\$2,120	-13.5%	\$2,550	-\$430	-16.9%	Jul-18
5 Oakland, CA	\$2,020	-19.2%	\$2,500	-\$480	-19.2%	Oct-19
6 Los Angeles, CA	\$2,000	-13.0%	\$2,430	-\$430	-17.7%	Oct-18
7 Washington, DC	\$1,960	-14.8%	\$2,340	-\$380	-16.2%	Dec-17
8 San Diego, CA	\$1,790	-2.2%	\$1,950	-\$160	-8.2%	Dec-18
9 Miami, FL	\$1,750	2.3%	\$1,900	-\$150	-7.9%	Jun-16
10 Ft. Lauderdale	\$1,680	5.0%	\$1,700	-\$20	-1.2%	Jul-20
11 Seattle, WA	\$1,600	-14.9%	\$1,990	-\$390	-19.6%	May-18
12 Santa Ana, CA	\$1,640	1.2%	\$1,920	-\$280	-14.6%	Sep-18
13 Long Beach, CA	\$1,570	1.3%	\$1,610	-\$40	-2.5%	Jun-18
14 Honolulu, HI	\$1,520	-5.6%	\$2,130	-\$610	-28.6%	Mar-15
15 Chicago, IL	\$1,500	3.4%	\$2,050	-\$550	-26.8%	Oct-15
16 Philadelphia, PA	\$1,490	-0.7%	\$1,550	-\$60	-3.9%	Sep-18
17 Denver	\$1,400	-12.5%	\$1,600	-\$200	-12.5%	Jun-19

Two bedroom		From	Prior	From		Record
City	Price	yr ago	record	prior record		month
1 San Francisco, CA	\$3,690	-21.0%	\$5,000	-\$1,310	-26.2%	Oct-15
2 New York, NY	\$2,900	-17.1%	\$3,980	-\$1,080	-27.1%	Mar-16
3 Los Angeles, CA	\$2,780	-14.7%	\$3,310	-\$530	-16.0%	Jun-18
4 Boston, MA	\$2,680	-8.5%	\$2,930	-\$250	-8.5%	Oct-19
5 San Jose, CA	\$2,680	-9.2%	\$3,080	-\$400	-13.0%	Apr-16
6 Washington, DC	\$2,680	-8.5%	\$3,290	-\$610	-18.5%	Jun-17
7 Oakland, CA	\$2,630	-12.3%	\$3,000	-\$370	-12.3%	Oct-19
8 San Diego, CA	\$2,370	-0.4%	\$2,520	-\$150	-6.0%	Oct-18
9 Miami, FL	\$2,310	4.1%	\$2,640	-\$330	-12.5%	Mar-16
10 Santa Ana, CA	\$2,230	9.3%	\$2,260	-\$30	-1.3%	Dec-18
11 Ft Lauderdale	\$2,170	-1.4%	\$2,230	-\$60	-2.7%	Jul-20
12 Honolulu, HI	\$2,160	-0.5%	\$2,950	-\$790	-26.8%	Jan-15
13 Seattle, WA	\$2,100	-8.7%	\$2,650	-\$550	-20.8%	Apr-16
14 Long Beach, CA	\$2,040	2.0%	\$2,200	-\$160	-7.3%	May-18
15 Denver	\$1,920	-3.5%	\$2,080	-\$160	-7.7%	Jun-18
16 Chicago, IL	\$1,800	1.1%	\$2,650	-\$850	-32.1%	Sep-15
17 Philadelphia, PA	\$1,750	4.2%	\$1,760	-\$10	-0.6%	Sep-20