

Zenith Weekly Navigator: NOV 9th, 2020

We wrapped up the best week since COVID bottom BUT removing that “act of God” anomaly, it was the best week since November 2011!

Last week we wrote: "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!

Political risk removed and, more importantly, a SPLIT CONGRESS on the way...investors rejoiced to the prospects of no tax increase and no fiscal profligacy.

The bulls whirlwind brewing below the “blue wave” surface took the bears by surprise and did not take any prisoners!

It is a confirmation that we entered the strong return season and what a week...nearly an annual return!

The economic agenda will be light this week with EPS season coming close to the end.

Biden elected, he will have to navigate with a split Congress and deal with Senate majority leader Mitch McConnell.

Any cabinet nominations have to be approved by the Senate.

We will keep investing with a tune in our head till early January: “Georgia on my mind”.

Big reforms and major tax overhaul will probably not happen and a split Congress has historically generated a better return than a Congress dominated by one party.

In general, we remain constructive on markets as we are entering the best investment period historically



Macro & Markets Rearview

It was the BEST week for the markets since APRIL and EX-COVID bounce the BEST WEEK since NOVEMBER 2011! MSCI World jumped by 7.6% and GEMS rose by 6.6%. All the boats were lifted by the elections tide. The Nasdaq had its 2nd best week in a decade.

Technically, we remain in a consolidation phase with an important resistance that was just reached on Friday. We remain constructive till proven otherwise. Semiconductors made a new high which is bullish. 5.5trn of market cap was added last week...a full JAPAN GDP! About all the YTD return of the S&P was done last week as well!

In the commodity space, precious metals rallied with silver leading with an 8% rise. \$ weakness helped most of the complex with oil up nearly 4% (although a week of two halves), steel up 5% and copper a bit more than 3%. Lumber remains volatile clinching an 11% gain over the week.

In Fixed income, it was a big rally mainly on the long end with strong returns in some emerging countries like Brazil Russia, Mexico, Indonesia and South Africa.

FX: USD was quite weak with its worst weekly performance since March (DXY -1.9%)! Cryptos rallied hard. Most of the currencies benefited with commodities FX enjoying the most like AUD, CAD, NOK and BRL.

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

GLOBAL PMI was strong and reached 53.3.

ISM Manufacturing PMI for the US jumped to 59.3 in October from 55.4 in September, beating market forecasts of 56.4. The reading pointed to the strongest growth in factory activity since September of 2018.

ISM services was a bit disappointing but nonetheless strong.

The RBA cut its reference rate to a new low.

The Bank of England left its Bank Rate at a record low of 0.1% but increased the size of its bond-buying program by a larger-than-expected £150 billion to £875 billion

The increase in the bond-buying program was bigger than the 100 billion pounds anticipated in financial markets.

Indonesia's GDP Q3 shrank by 3.5%. It was the first economic recession since the 1998 Asian financial crisis.

The European Commission lowered its GDP forecasts for 2021 and said the bloc would grow by 4.2 percent in 2021 from its unprecedented coronavirus recession this year, compared with early July estimates of a 6.1 percent expansion.

Where to go from here? We entered the most bullish period from early November until mid-January. Hopefully we will exit the consolidation phase soon.

Week Ahead

Light economic calendar this week with earnings season winding down (Disney, McDo, Cisco, Tencent...)

Keep an eye on BREXIT talks and ALIBABA day. In tech / games, the new Xbox and the new PS5 will be on sale.

In the US, inflation data will be the main news flow.

CB meetings this week: Mexico and New Zealand.

GDP Q3 in Europe, UK, Russia, Malaysia and Philippines.

Quote of the week

“Information is not knowledge.” - Albert Einstein



Graphs of the week

1. GLOBAL ECONOMY

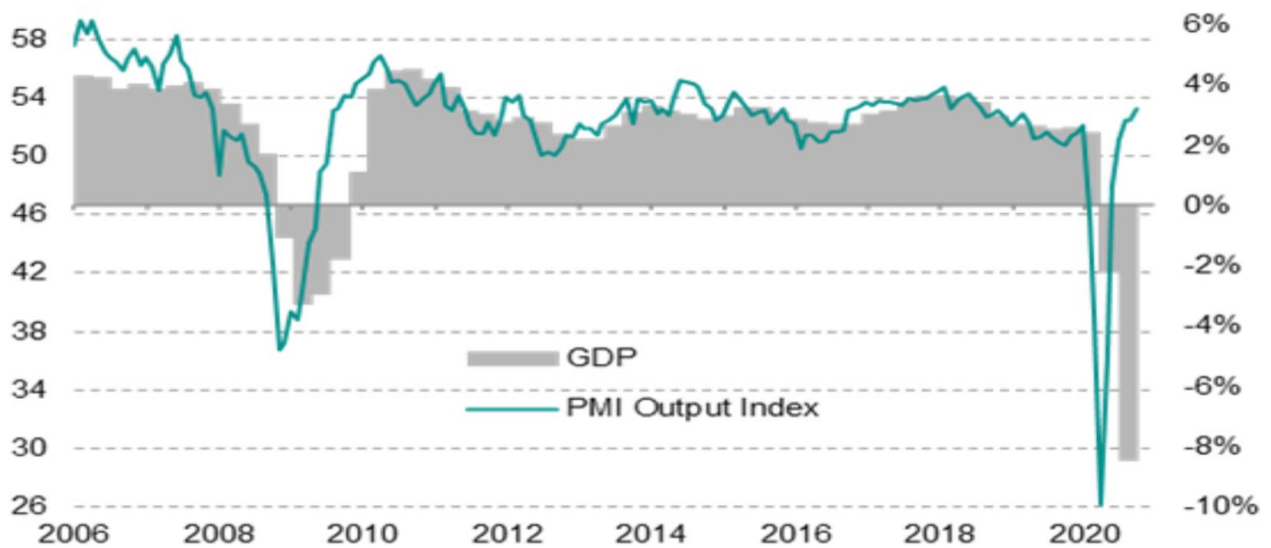
The worldwide PMI surveys indicated a solid Q4 start for the global economy, with business activity rising at the fastest rate for 26 months.

The Global PMI rose from 52.5 in September to 53.3 in October, its highest since August 2018.

Global PMI and GDP

JPMorgan Global PMI by IHS Markit

Global GDP annual % change

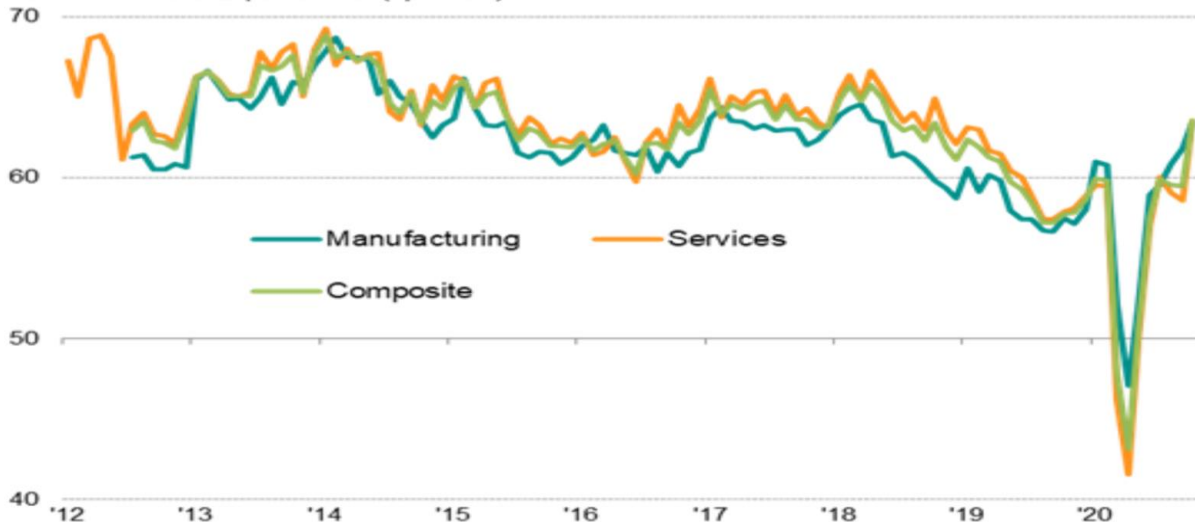


Source: IHS Markit, JPMorgan.

Additionally, the expectations over the next 12 months is at the highest in 28 months and strengthened BOTH at the manufacturing and service level.

Global business expectations

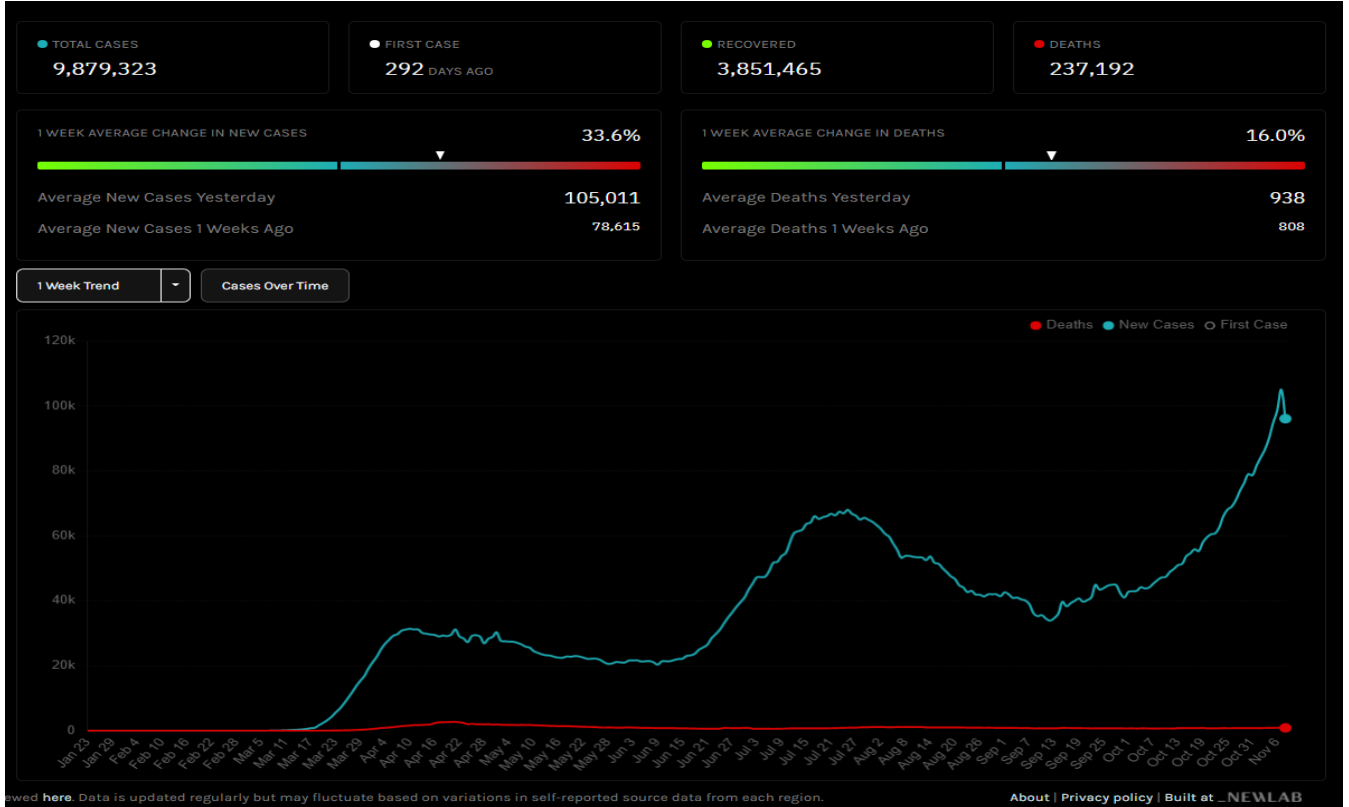
Global PMI Future Expectations (optimism)



Sources: IHS Markit, JPMorgan.

2. COUNTRY SPECIFIC

US worsening COVID data over the past 2 months have probably had an important impact on final election results.

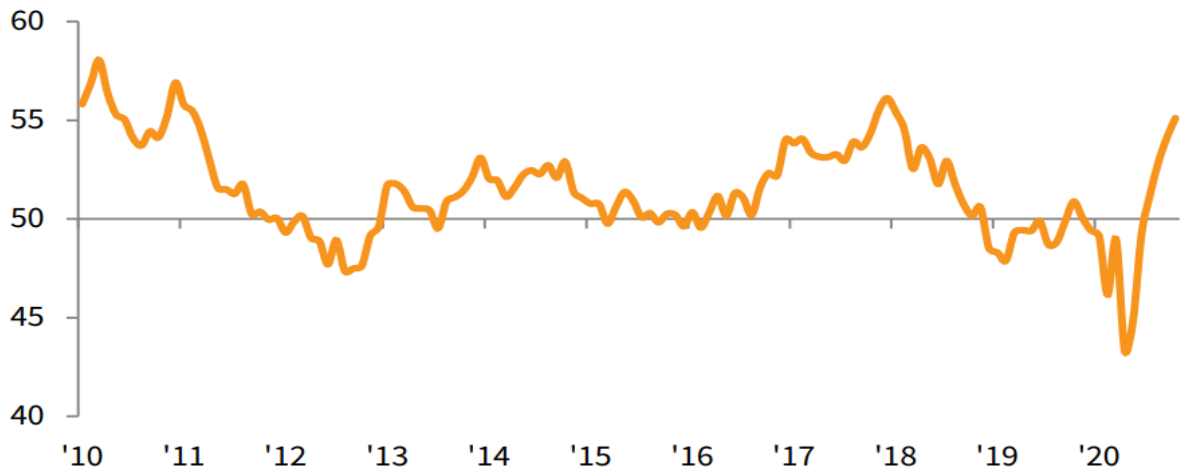


3. COMMODITIES

COPPER users PMI: New orders rise at fastest pace since March 2010!

Global Copper Users PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

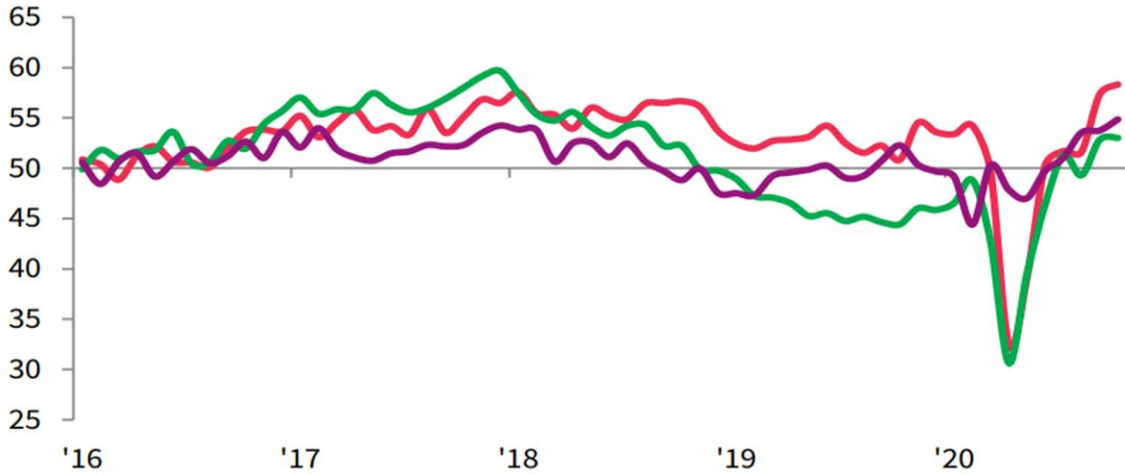


And surprise surprise...this is NOT the expected ASIA-CHINA leading here BUT USA!

Global Copper Users PMI

Europe / USA / Asia

sa, >50 = improvement since previous month



Source: IHS Markit.

4. FIXED-INCOME & CENTRAL BANKS

Bonds rallied last week and EM bonds local currency ETF made a breakout...towards Feb high.

EMLC VanEck Vectors J.P. Morgan EM Local Currency Bond ETF NYSE

© StockCharts.com

6-Nov-2020

Open 31.59 High 31.88 Low 31.53 Close 31.85 Volume 2.9M Chg +0.29 (+0.92%) ▲

EMLC (Daily) 31.85

Volume 2,854,930





5. FX

BITCOIN breakout!



6. EQUITIES

EPS revisions trend remains quite strong and accelerated.

	11/6/2020	10/30/2020	10/23/2020	10/16/2020	10/9/2020	10/2/2020
2020 EPS est	\$136.23	\$133.55	\$132.13	\$131.13	\$130.44	\$130.21
sequential change	2.01%	1.07%	0.76%	0.53%	0.18%	-0.01%
4 week change	3.89%	2.38%	1.47%	0.70%	0.23%	-0.19%
12 week change	4.69%	2.97%	1.73%	5.08%	4.53%	4.34%
1-quarter change	9.17%	7.02%	5.88%	5.06%	4.52%	4.33%
y/y change	-23.56%	-25.31%	-26.13%	-26.91%	-27.47%	-27.84%
2021 EPS est	\$168.22	\$167.10	\$166.61	\$165.83	\$166.22	\$166.21
sequential change	0.67%	0.29%	0.47%	-0.23%	0.01%	-0.04%
4 week change	1.21%	0.50%	0.08%	-0.47%	-0.07%	-0.11%
12 week change	1.33%	0.85%	2.02%	1.54%	1.78%	1.77%
1-quarter change	3.01%	2.32%	2.02%	1.54%	1.78%	1.77%
6 mo change	2.27%	0.64%	-0.85%	-2.48%	-4.33%	-6.12%
2022 EPS est	\$194.58	\$191.29	\$191.05	\$190.24	\$190.72	\$190.75
1-week change	1.72%	0.13%	0.43%	-0.25%	-0.02%	-0.02%
4-week change	2.28%	0.30%	0.16%	-0.29%	0.16%	0.33%
12-week change	2.67%	0.94%	2.54%	2.11%	2.44%	2.46%
26-week change	4.29%	2.44%	2.39%	1.48%	0.57%	-0.05%

Tail end of EPS season...only 15 Co of the S&P will report 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
http://eps.sh/cal								

© 2020 Earnings Whispers

7. STOCKS: technical corner

That sentiment indicator...stayed on the platform last week!

Investors have never been this worried about a stock market crash

% of individuals who think probability of a 1929- or 1987-magnitude crash is below 10%



Source: Robert Shiller



8. ALTERNATIVES SPACE: GLOBAL REAL ESTATE: COVID impact

From the CAIA & MSCI study, we can see that lodging, office and retail shopping were the most affected.

Figure 1: K shaped recovery for real estate sectors



Source: CAIA Association, FSTE, NAREIT

Figure 3: Real estate sector mapped to COVID-19 sensitivity and economic sensitivity.



Source: Analysis by the CAIA Association