



Zenith Weekly Navigator: OCT 26th 2020



The week of all dangers?

The worst performing week of the year (21st to 27th of October) is about to end and make room to the best seasonal pattern from November to mid-January.

It starts with the Halloween rally (85% hit ratio over the past 25 years).

In the meantime, we have a week of all dangers...

Heavy MACRO calendar with highlights being US GDP Q3 and CB meetings of ECB and BOJ.

Politically sensitive too with US elections and fiscal negotiations.

Chinese PC Congress and 5th plenum.

COVID is still around us and could be triggering an economic double-dip with lockdowns already announced with 2021 impacted.

EPS season in full gear with 185 Co reporting and in particular the big 5 reporting the same week! (Facebook, Amazon, Apple, Microsoft and Google). It is not common and the last 3 occurrence of that ended up with a slight negative tone.

World biggest IPO on the deck: Ant could raise \$35bn at a valuation of at least \$280bn and surpassing Aramco \$29.4bn listing.

It feels like pausing before a big move.

Happy Halloween for the upcoming week-end before the elections results.

If it feels like a creepy Halloween...its because so it has been this year!



Macro & Markets Rearview

We pinpoint another weekly round of observation and waiting game for equities with MSCI World down by just 0.2% whilst Emerging markets rose by 1.1%.

Small caps leadership is bullish as a breadth and risk signal. Major indices were mixed. Line in the sand remains 3993.

Technically, we still see a consolidation phase with positive internal rotation.

Market pause is pointing towards an explosive move in the coming days...

EPS beat ratio is very strong but stock price reactions have been muted.

Of the 135 companies in the S&P 500 that have reported earnings to date for 20Q3, 83.7% have reported earnings above analyst expectations. This compares to a long-term average of 65%.

Last week's IPOs performance was the worst since March and the start of pandemic. This week one should look at ROOT and the hyped ANT IPO.

In the commodity space, oil stalled again at the 41\$ level.

In Fixed income, the US curve is steepening at the highest level since early 2018.

Fed balance sheet is expanding to \$7.17trn. There is still room to expand it as it is at 37% of GDP versus 66% at ECB and 137% at BoJ.

FX: USD is still indecisive and stuck in his range and remains a key chart for risky assets. Lets see what the ECB meeting could infer on the FX front with a potential response to COVID 2nd wave...

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

In the US, we keep seeing strong data on the housing front and leading indicators also point towards V shape. China GDP growth was lower than expected but still good enough to justify the local steepening of the curve at play.

European data were not good with the PMI falling back and pointing towards a double-dip risk as we have now a contraction for the 1st time since June. Manufacturing is strong but services is taking a plunge for the worst decline in 8 years EX March-MAY COVID impact.

Stimulus deal probability is getting smaller by the day.

Where to go from here? We are about to enter the most bullish period from early November until mid-January but in the midst of the election's uncertainty.

Week Ahead

Big economic calendar week and very heavy EPS agenda.

Politically...last week before US elections AND there will be the Chinese Congress of PC and 5th plenum.

Relevant data to be scrutinized: US GDP Q3, China PMIs.

CB meetings this week: ECB, BoJ, Brazil, Canada and Colombia.

GDP Q3 in USA, Mexico, Euro, Korea, Taiwan and HK.

EPS week will be the heaviest of the reporting season this is a big one for BIG TECH. (details under equities)

More than 180 Co of S&P500 will report this week.

Quote of the week

"Yesterday is just a memory, tomorrow is never what it is supposed to be" Bob Dylan

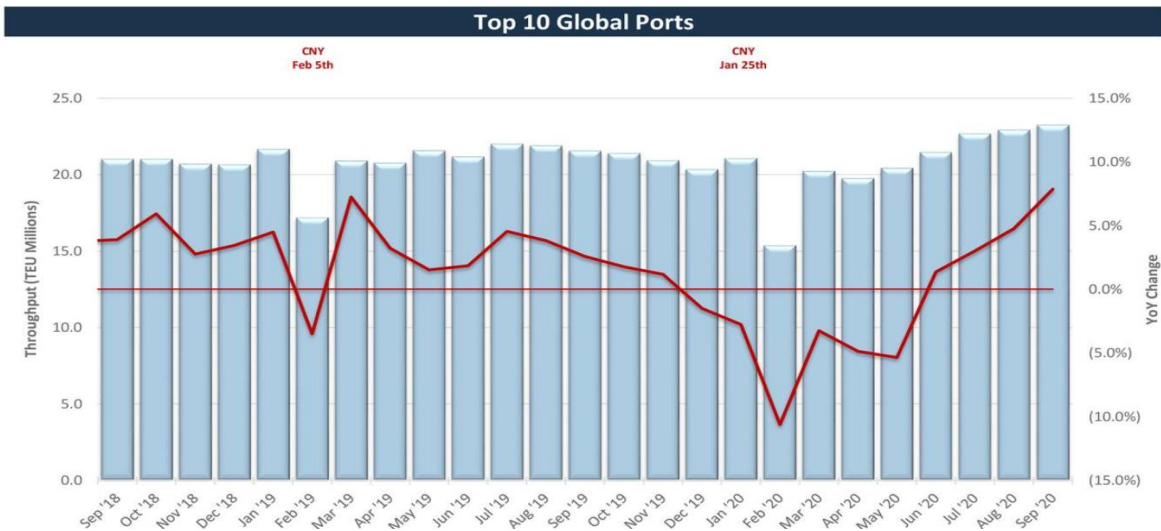


Graphs of the week

1. GLOBAL ECONOMY

GLOBAL ECONOMY is well on its way to reactivation...

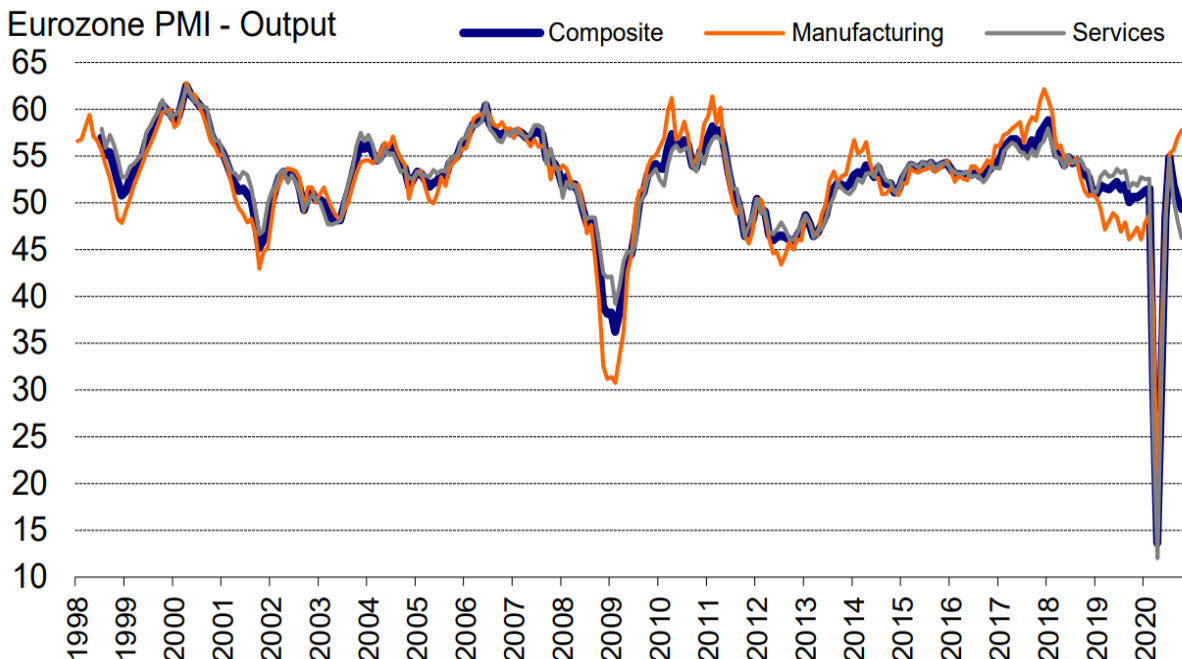
CONTAINER PORT THROUGHPUT REBOUNDED TO PRE-PANDEMIC LEVELS



2. COUNTRY SPECIFIC

Europe double-dip is becoming a reality and will pressure the ECB.

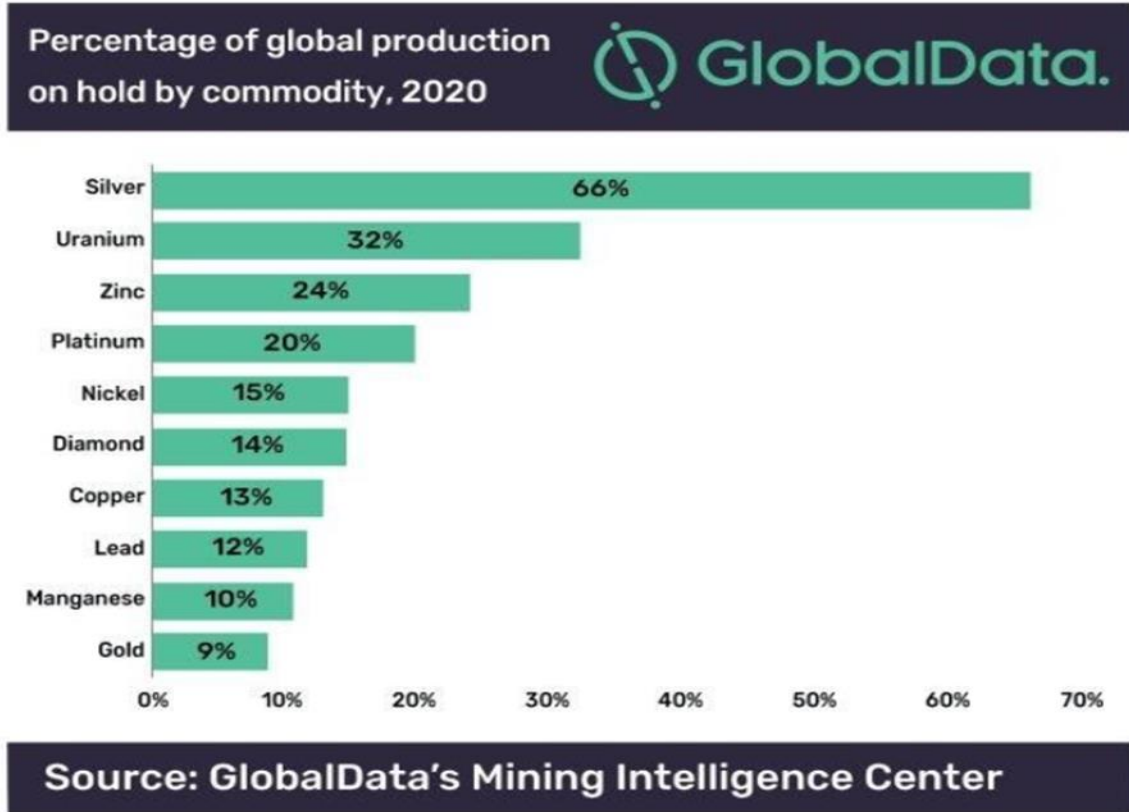
Dual mask too here: manufacturing booming is at 31 months high BUT services are plunging again at 5 months low on COVID lockdown renewal AND the worst decline in 8 years ex March-May plunge.





3. COMMODITIES

SUPPLY of commodities has been impacted by COVID...with relevant consequences.



4. FIXED-INCOME & CENTRAL BANKS

Yield curve is steepening and is about to reach the steepest level since February 2018.





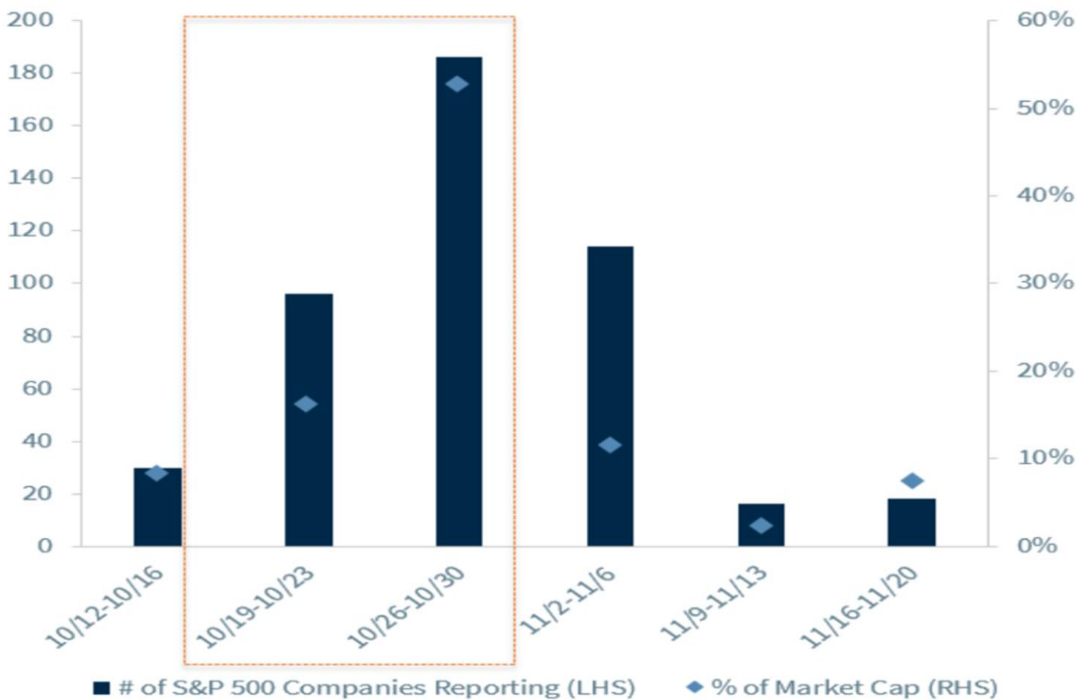
5. FX

No more FX reserves... Turkish Lira is adrift.



6. EQUITIES

EPS season is in full gear with the most important week that will see TECH on the block. 180 Co will report.





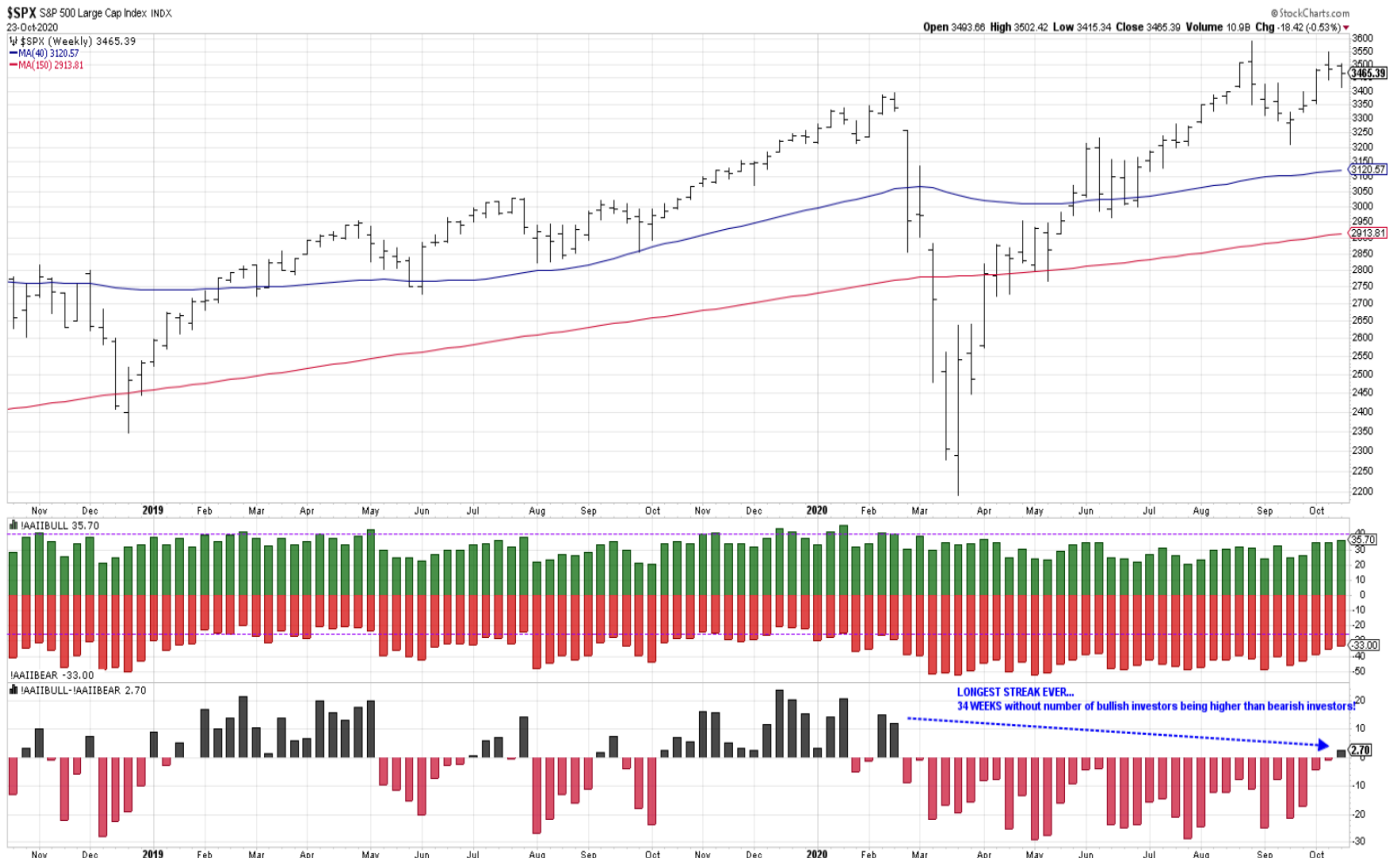
Lots of stuff to watch for this week...

Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open
High	twilio	Pfizer	Microsoft	ups	fastly	shopify	Apple	Ligand
Simply Good	Chegg	3M	AMD	BOEING	Pinterest	NOKIA	amazon.com	ExxonMobil
SAP	Alphabet	CATERPILLAR	dexcom	GE	Etsy	Twitter	FACEBOOK	abbvie
HCA	NXP	Lilly	enphase ENERGY	EVERY	GILEAD	moderna	ACTIVISION	Chevron
NEW RESIDENTIAL	NETWORKS	Raytheon Technologies	FireEye	SONY	TELADOC	Spotify	digital turbine	Honeywell
Bank of Marin	K	SHERWIN WILLIAMS	First Solar	ANthem	VISA	overstock.com	Starbucks	Altria
Bank of Hawaii	AGNC	NOVARTIS	Akamai	Six Flags	Stamps.com	Kraft Heinz	OPKO	Under Armour
OTIS	Amkor Technology	MERCK	ONEOK	dynatrace	ebay	globalpayments	VERTEX	CP
ALLIANCE RESOURCE PARTNERS LP	BOYD GAMING	jetBlue	fiserv	GENERAC	Livongo	carvana	CARVANA	L3HARRIS
AMERICAN MANAGER GROUP INC	ROYAL BANK OF CANADA	bp	2U		servicenow	ABInBev	Atlassian	Charter Communications

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7. STOCKS: technical corner

Finally, the BULL BEAR ratio is turning positive! Longest period ever not being positive. Hard to say the market is over-extended on that basis.

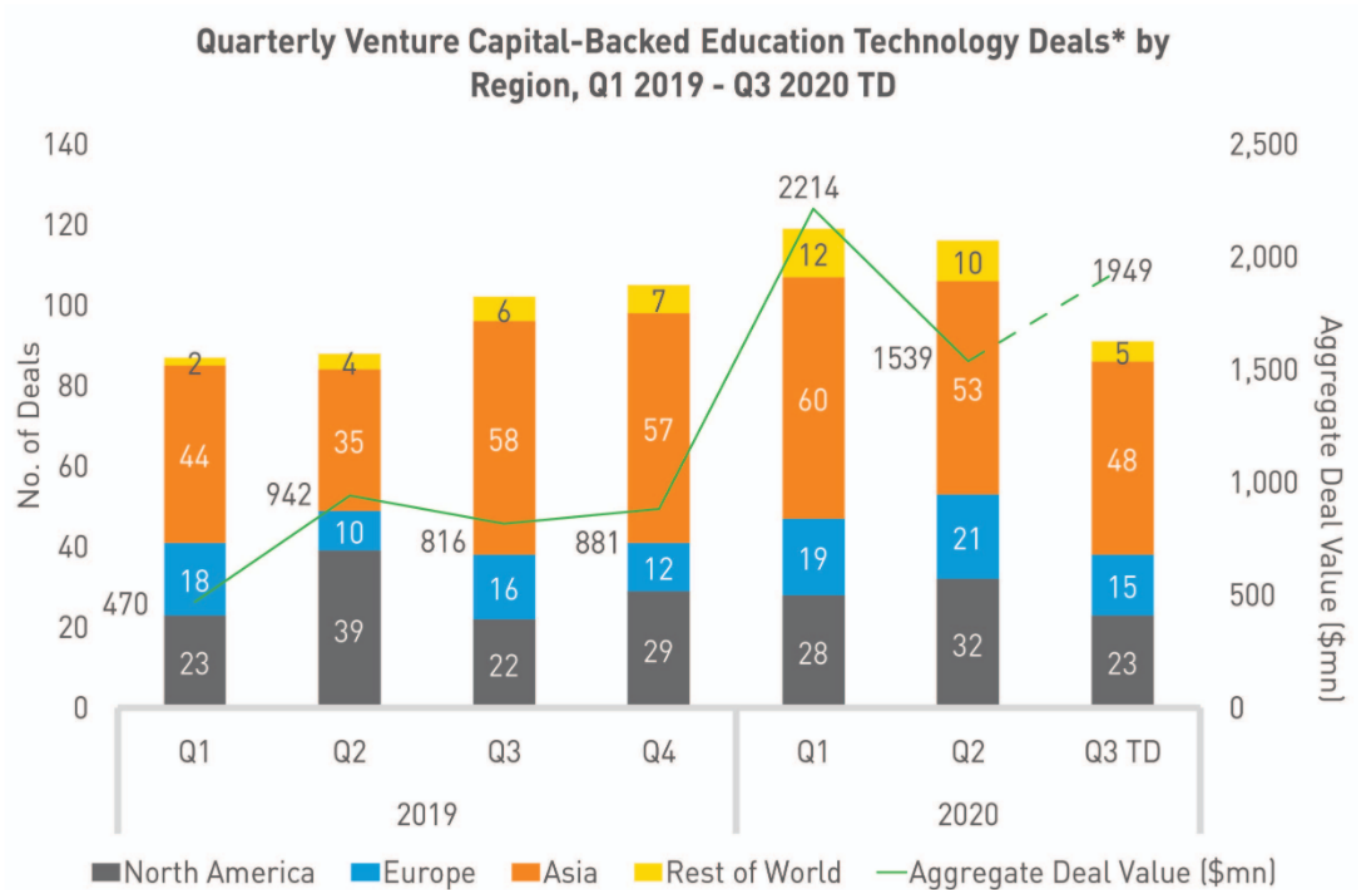




8. ALTERNATIVES SPACE: VENTURE CAPITAL splurges into EDUCATION

The education sector is ripe for disruption and COVID is the trigger for a total renewal. Private capital deal activity in the global education technology (EdTech) industry is booming this year, but Asia is attracting outsized investor interest. The global pandemic is forcing the rapid digitalization of the education sector, as classrooms and courses of all kinds transition online – driving the surge in demand for EdTech solutions around the world. Venture capital investors have reacted quickly, fueling the emerging sector’s rapid growth.

Preqin data shows venture capital-backed EdTech aggregate deal value in H1 2020 has increased 166% compared to the same period last year. Furthermore, as the number of deals rose to 219 (compared to 164 in H1 2019) average deal value more than tripled to \$32mn.



*Figures exclude add-ons, grants, mergers, secondary stock purchases, and venture debt.

Source: Preqin Pro. Data as of September 2020