

Weekly Market Summary

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Who Is Starting 2021 off on the Right Foot? And Who Isn't?

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Latest Update on Coronavirus: Confirmed cases last at 88.6 million, with the death toll from the pandemic at 1,908,666. The European Union has secured an extra 300 million doses of the Pfizer Inc. – BioNTech SE vaccine, while the UK toughened inbound travel controls to curb a new variant. Germany reported the most daily fatalities since the start of the pandemic, with numbers topping 1,000 for the third day in a row. France and Hungary are among countries extending restrictions. Israel agreed a data deal with Pfizer that will allow all citizens over 16 to be inoculated by the end of March. The Pfizer-BioNTech vaccine possibly (!) works against a mutation in new fast-spreading variants of the coronavirus discovered in the UK and South Africa.

To many of our readers, there was both anxiety and excitement to get 2020 over with. After all, an overwhelming Covid-19 pandemic had taken hold of humanity during the year and with the narratives of the deadly virus, mounting geopolitical tensions, social unrests, conspiracy theories and divisive politics constantly reminding all of the world's seemingly increasing danger - our brains had remained on high alert, our hearts raced and our minds kept constant vigil for the next perceived catastrophe. And if that wasn't enough, we craved to feel prepared and ahead of the game, so we became addicted to the updates (mainstream media's "*credible*" stories & fact checks!) – coming back for more until the world seemed far worse than it ever had before.

Still, there was always a temptation to paint 2021 as a brighter time and a relief to most of our problems! It can't be as bad as 2020, can it? Ultimately, the New Year always brings fresh promises and some uncertainties (try telling that to Kim Kardashian and Kanye West who are on the verge of breaking up 😞).

For the first week of 2021, some of the principal events expected did include the UK outside the EU for the first time since 1973, a steady ramp up in vaccine deployment and mass vaccinations, a judge ruling in the extradition case against the WikiLeaks founder Julian Assange and more importantly the Georgia Senate runoffs (January 5th) that would decide control of the US Senate as well as the formal count of the Electoral College in Congress on January 6th. The latter, a routine process in previous presidential elections, was surely projected to become highly combative this year, with twelve Republican senators and more than a hundred Republican members of the House having announced they intend to challenge the election results. Still, the certification is ceremonial, and few expected any actual political change to come from the procedure, but plenty of spectacle (President Trump's public and private pressure on VP Mike Pence to challenge Joe Biden's Electoral College and popular vote victory had not worked out previously).

A Sad Spectacle on Capitol Hill!

As Democrats were edging to take control of the Senate on Wednesday, winning the two Georgia seats up for grabs, chaos erupted on Capitol Hill as supporters of President Trump clashed with the police and stormed the Capitol building (with ease, it must be noted), interrupting proceedings as Congress prepared to certify the results of the 2020 election. As a result, the Capitol was put on lockdown and Vice President Mike Pence was rushed from the Senate chamber as many pro-Trump followers – some waving Confederate flags – overwhelmed the building's security. The mayor of Washington DC immediately ordered a curfew. Hours after the chaos began, Mr. Trump issued a statement telling the rioters to leave. "*You have to go home now,*" he said in a video recorded at the White House and posted on Twitter. "*We*

have to have peace. We have to have law and order. We don't want anyone hurt." By early Thursday, Congress had reconvened and confirmed Joe Biden and Kamala Harris' win in the general election, counting electoral votes in their favor despite remaining - though reduced - GOP objections.

Nonetheless, to everyone's surprise, images of protestors storming the US Capitol and interrupting the certification of the presidential election did little to distract investors from their strong view that Democratic victories that gave president-elect Joe Biden's party control of Congress promised stronger stimulus packages and aid for the economy. The Dow Jones Industrial Average climbed to a record on Wednesday and continued its ascent yesterday, whilst a gauge of smaller stocks (Russell 2000) had its best day since early May. The juxtaposition is just the latest example of bizarre resilience in US shares, which rose more than 15% in 2020 even as the coronavirus pandemic forced lockdowns around the country and put more than 20 million people out of work. Bolstered by the Federal Reserve unlimited stimulus (to infinity & beyond!), a fast weakening US dollar and now the promise of increased spending to fight the recession, the S&P 500 index is currently up a staggering 70% since bottoming on March 23rd! "*Markets look ahead, beyond what we see now, which is chaos and pandemic,*" said Trinh Nguyen, a senior economist at Natixis SA in Hong Kong. "*In the short-term, the Fed will keep rates low and QE to help the recovery and we will likely get more stimulus and certainty, not to mention vaccine distribution.*"

Below is a summary coverage of the other main stories that have shaped markets throughout the week:

Gulf Arab States Agree to Restore Qatar Ties in US- Backed Deal: Saudi Arabia, Bahrain, UAE and Egypt agreed to fully restore ties with neighboring Qatar on Tuesday after a sustained US push for the countries to display a united front against Iran. The breakthrough in ending a dispute that erupted in 2017 came just two weeks before President-elect Joe Biden takes office after pledging a new start and engagement with Tehran. The Arab states were able to find a "resolution to all areas of difference," and agreed to a "*restoration of all diplomatic ties,*" Saudi Foreign Minister Prince Faisal bin Farhan told reporters after the meeting. "*It will be a strong and important foundation to the future of the region and its stability.*"

Saudis Take Charge of Oil Market with Surprise Production Cut: Saudi Arabia surprised markets on Tuesday, opting for a large cut in crude production – a bold assertion of primacy over the global oil industry. Crude prices jumped 5% on the news (Brent and WTI futures last at \$ 55.25 and \$ 51.50 a barrel respectively) to a 10-month high and shares of energy giants in London and shale drillers in Texas surged. "We are the guardian of this industry," Saudi Energy Minister Prince Abdulaziz bin Salman said. "This gesture of goodwill made by our leadership, in the name of His Royal Highness the Crown Prince Mohammad bin Salman." Since late December, Russia had been pushing for a supply hike of about 500,000 barrels a day for February, and the oil market thought that would prevail. However, Saudi Arabia shattered those assumptions, pledging an additional unilateral cut of 1 million barrels a day in February and March, while most of the rest of the Group kept output steady. Russia and Kazakhstan were permitted to add a combined 75,000 barrels a day of supply in each of those months.

Bitcoin Explodes to the Upside: Bitcoin smashed through \$40,000 yesterday (yes, forty thousand US Dollars!) to hit a new record high, helping to lift the total value of the entire cryptocurrency market above \$1 trillion for the first time. The cryptocurrency is up over 30% since the start of 2021 and in the past 12 months has surged 400%. Some hedge funds project the digital currency has still a long runway ahead, even after its massive rally (\$100,000; \$250,000 or \$500,000... take your guess!)

Elon Musk, World's Richest Person: On Thursday, Tesla Inc.'s share price surged 7.9%, boosting Musk past Amazon.com Inc. founder Jeff Bezos on the Bloomberg Billionaires Index, a ranking of the world's 500 wealthiest people. Musk is now worth \$194.8 billion, or \$9.5 billion more than Bezos. No one has seen a more dramatic shift than Musk.

Over the past year, the South Africa-born engineer has added more than \$165 billion to his fortune in what is probably the fastest bout of wealth creation in history! Fueling his rise was an unprecedented rally in Tesla's share price, which surged 743% last year on the back of consistent profits, inclusion in the S&P 500 index and enthusiasm from Wall Street and retail investors alike.

Next up for investors is this afternoon December US jobs report, which is forecast to show a marked deceleration in employment gains as cold weather, rising Covid-19 infections and new restrictions on businesses deal a setback to the recovery from the pandemic. Bloomberg consensus is for December payrolls to have risen by a small 50,000 (following a 245,000 jump in NFP for the previous month). It will also be worth keeping a close eye on the other important elements of the report, namely the unemployment rate (expect to rise one tenth to 6.8%), average hourly earnings (likely to rise by a decent +0.2% mom & +4.5% yoy), the participation rate (expected unchanged at 61.5%) and average weekly hours (expected unchanged at 34.8 hours). The report will also show that 2020 was the worst year of job loss since record began in 1939. Last year's job loss will likely eclipse, by far, the 5 million jobs lost in 2009, during the recession caused by the housing crash (so far a cumulative 9.37 million jobs lost during the January – November 2020 period). Yet, investors and traders are expected to shrug off weak payrolls data, instead focusing on positive projections for improved economic conditions in the spring and more fiscal stimulus once Joe Biden is sworn in as US President on January 20th.

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