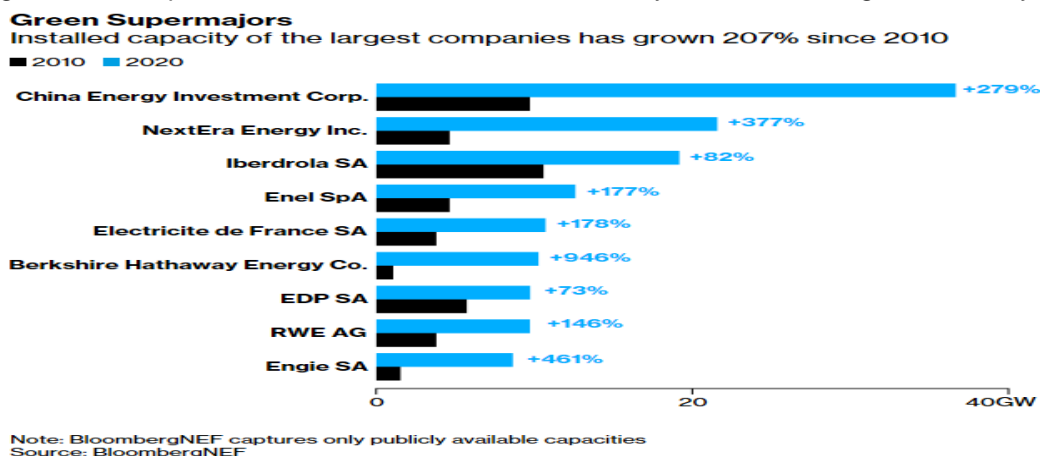


In the current week, the start of vaccinations in some countries has supported the expectation that major economies will exhibit economic growth in the period ahead. In the **US**, the talks about adding \$916 bn. fiscal support for the economy have intensified, but disagreement for some issues is still evident. The **EU** and the **UK** are continuing until Sunday the effort for a trade deal, as three issues remain pending: competition rules for companies after Brexit, fisheries and the governance of a potential trade deal (how future disputes between UK-EU will be resolved). UK Prime Minister warned that the UK is preparing to leave without trade deal. The **ECB added €500 bn. of bond buying (PEPP), enhancing monetary easing.**

The latest macroeconomic figures confirm that **economic recovery continues** and the most recent estimate of Atlanta Fed (9/12) is for annualised quarterly growth of 11.2% in the fourth quarter in the US. The combination of **monetary and fiscal expansion** and the **start of vaccinations in some countries** has supported the rise of the **S&P 500 index at a historic high** (8/12 close: 3,702) and of the **emerging index** at a high (9/12: 1,255.9) since January 2018. The Stoxx 600 **Europe** index has posted high (9/12: 394.9) since February 2018 and the Nikkei index high (9/12: 26,818) since 1991. In **Japan**, fiscal stimulus of around \$700 has recently been added.

Furthermore, the S&P Global 1200 **clean energy** index continued rising in the fourth quarter (30/9 – 10/12: 26.8% in USD, total return in 2020: 101.6%). The share of **wind and solar** supply in producing **electricity** is expected to be rising for some decades to come and the capacity of large companies to produce electricity using zero emission technologies like solar panels and wind turbines has substantially enhanced during the last ten years.



**Gold** is currently slightly below (11/12: \$1,832/ounce) the level of the last week (4/12: \$1,839/ounce), but slightly above the 200-day average (\$1,810/ounce). WTI crude oil increased at a high (10/12: \$47.74/barrel) since March, as demand is expected to be supported by global economic recovery. Euro continues in upwards trend versus the USD (11/12: \$1.2130). Resistance is at \$1.2414 and at \$1.2550 - \$1.2600, while support is at the area of \$1.2000.

**The week ahead:**

In **Eurozone**, manufacturing and services PMI for December will be announced (16/12). In the **US**, the Fed will discuss (FOMC: 16/12) the possibility for adding monetary stimulus. The decisions by the Bank of England at the meeting of December 17, may be related to how the EU-UK talks on Brexit, will evolve until this Sunday (13/12).

**The last weeks of 2020 include major developments in various issues, including the start of vaccinations against the pandemic and the outcome of the talks between the EU and the UK. It cannot be excluded that market conditions at the end of the year may not be as smooth as the current sentiment suggests. However, the investment environment appears as favourable for the medium term horizon (6-12 months), supported by the extensive monetary and fiscal stimulus, as well as by the economic recovery.**

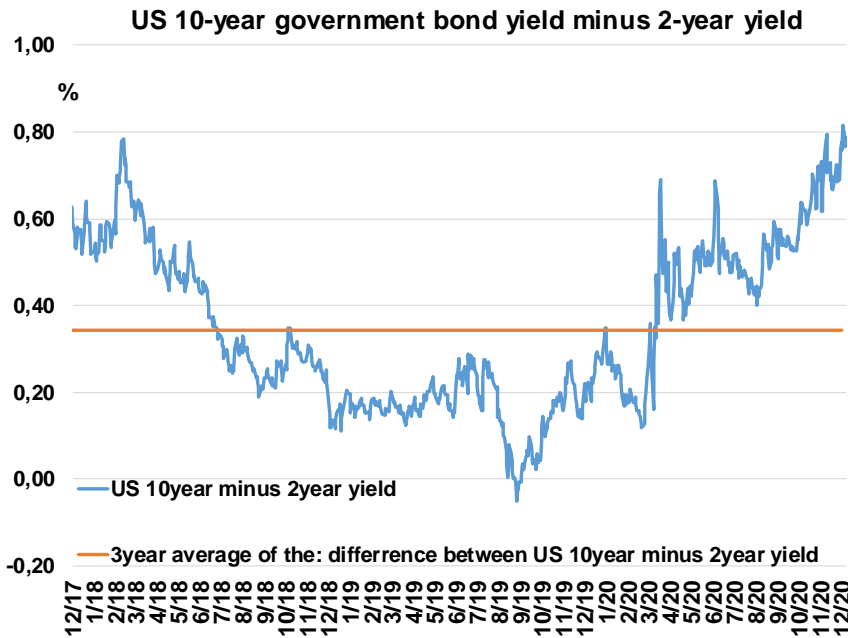
**Quote of the Week:**

The President of the ECB said (10/12):

**“Monetary measures will contribute to preserving financial conditions”.**

**Global Markets in Charts**

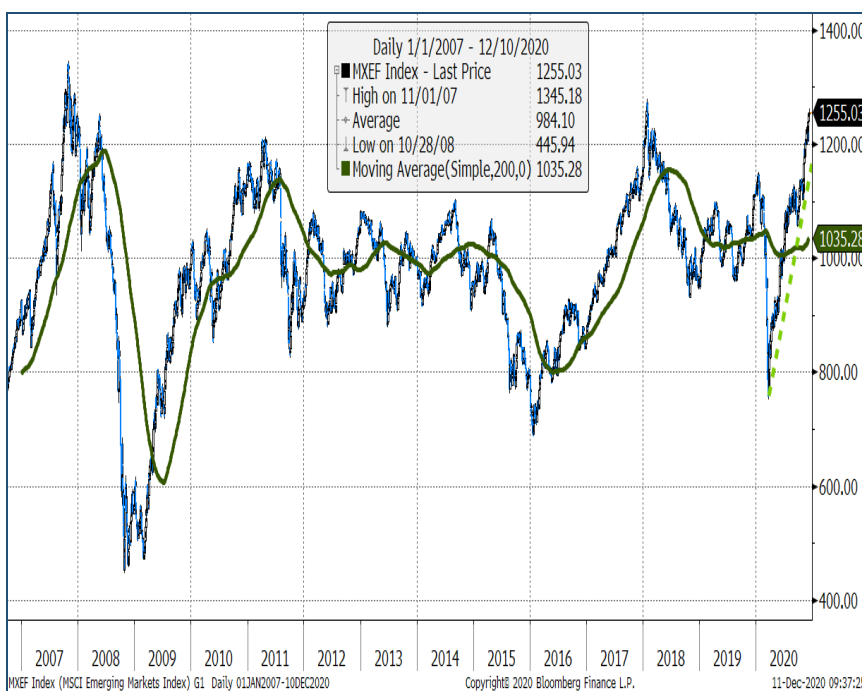
**The increased spread between US 10-year yield minus 2-year yield is consistent with economic expansion.**



Source: Bloomberg



The US 10-year government bond yield is mildly above (11/12: 0.90%) its average in 2020 (0.88%) The US 2-year yield is at 0.13% (Fed funds benchmark rate: 0-0.25%). The increased difference of US 10year minus 2-year yields (11/12: 0.77%, 3-year average: 0.35%) indicates economic expansion. The Fed will most probably maintain its policy rate close to zero for years to come. At the Fed meeting of December 16, adding stimulus will probably be discussed. The Fed is already conducting large scale bond buying. The assets of the Fed balance sheet have climbed to \$7.2 trillion from \$4.3 trillion in mid-March. Despite the drop of the US unemployment rate at a low (November: 6.7%) since March, it is still above the historic average (5.8%). Monetary easing will most probably be continued for long period. The large scale monetary stimulus is favorable from investment point of view.

**US Dollar has dropped versus the Chinese yuan at a low (9/12: 6.52) since mid-2018, in parallel with positive market sentiment in emerging equity markets.**



The drop of the USD versus the yuan is considered as an indication of improvement of economic conditions in China. Economic expansion in China is confirmed by recent PMI manufacturing and services indices. The lower level of USD vs the yuan is consistent with rising emerging equity index (36-month rolling return correlation of the emerging index with the fx pair is at -0.65). The emerging equity index has recently risen to the highest level (9/12: 1,255.8) since January 2018, posting total return of 15.1% in USD in 2020 (in Euro: 6.6%). Key levels for the emerging index are at the area of 1,279 (29/1/2018 high) and at 1,345 (historic high of 1/11/2007). Support levels in corrective periods are at the area of 1,220 (21-day average) and at 1,100 (intraday low of October 30, 2020).

**Global Markets Minesweeper**
**Event Risk Calendar, 14 - 18 December 2020**

Monday 14/12							
Date Time	Country	Event	Period	Survey	Prior		
14/12 03:30	CH	New Home Prices (MoM)	Nov		0.15%		
14/12 06:30	JN	Industrial Production (MoM)	Oct F	1.8%	3.8%		
14/12 12:00	EC	Industrial Production WDA (YoY)	Oct	-4.4%	-6.8%		
<b>Eco Event</b>	US	U.S. Electoral College meets to vote for the next U.S. president.					
Tuesday 15/12							
Date Time	Country	Event	Period	Survey	Prior		
15/12 04:00	CH	Industrial Production (YoY)	Nov	7.0%	6.9%		
15/12 04:00	CH	Retail Sales (YoY)	Nov	5.0%	4.3%		
15/12 09:00	UK	ILO Unemployment Rate 3Mths	Oct	5.2%	4.8%		
15/12 15:30	US	Empire Manufacturing	Dec	7.5	6.3		
15/12 15:30	US	Import Price Index (MoM)	Nov	0.3%	-0.1%		
15/12 16:15	US	Industrial Production (MoM)	Nov	0.2%	1.1%		
15/12 23:00	US	Net Long-term TIC Flows	Oct		\$108.9b		
Wednesday 16/12							
Date Time	Country	Event	Period	Survey	Prior		
16/12 01:50	JN	Trade Balance	Nov	¥522.5b	¥871.7b		
16/12 02:30	JN	Jibun Bank Japan PMI Mfg	Dec P		49		
16/12 09:00	UK	CPI (YoY)	Nov	0.70%	0.70%		
16/12 09:00	UK	CPI Core (YoY)	Nov	1.4%	1.5%		
16/12 10:30	GE	Markit/BME Germany Manufacturing PMI	Dec P	56.0	57.8		
16/12 11:00	EC	Markit Eurozone Manufacturing PMI	Dec P	53.0	53.8		
16/12 11:00	EC	Markit Eurozone Services PMI	Dec P	41.0	41.7		
16/12 11:00	EC	Markit Eurozone Composite PMI	Dec P	45.5	45.3		
16/12 11:30	UK	House Price Index (YoY)	Oct		4.7%		
16/12 11:30	UK	Markit UK PMI Manufacturing SA	Dec P	54.8	55.6		
16/12 12:00	EC	Trade Balance SA (EUR)	Oct		24.0b		
16/12 15:30	US	Retail Sales Advance MoM	Nov	-0.2%	0.3%		
16/12 16:45	US	Markit US Manufacturing PMI	Dec P	55.8	56.7		
16/12 16:45	US	Markit US Services PMI	Dec P	55.0	58.4		
16/12 16:45	US	Markit US Composite PMI	Dec P		58.6		
16/12 17:00	US	NAHB Housing Market Index	Dec	88	90		
16/12 21:00	US	FOMC Rate Decision (Upper Bound)	16-Dec	0.25%	0.25%		
16/12 21:00	US	FOMC Rate Decision (Lower Bound)	16-Dec	0.00%	0.00%		
<b>Eco Event</b>	US	Fed President J. Powell press conference (21:30).					

Thursday 17/12						
Date Time	Country	Event	Period	Survey	Prior	
17/12 12:00	EC	CPI (YoY)	Nov F	-0.3%	-0.3%	🌊*
17/12 12:00	EC	CPI Core (YoY)	Nov F	0.2%	0.2%	
17/12 14:00	UK	Bank of England Bank Rate	17-Dec	0.1%	0.1%	🌊*
17/12 14:00	UK	BOE Asset Purchase Target (GBP)	Dec	875b	875b	
17/12 15:30	US	Building Permits (MoM)	Nov	1.0%	-0.1%	🌊*
17/12 15:30	US	Philadelphia Fed Business Outlook	Dec	20	26.3	
17/12 15:30	US	Initial Jobless Claims	12-Dec		853k	🌊*
17/12 15:30	US	Housing Starts (MoM)	Nov	-0.2%	4.9%	🌊*
<b>Corp. Results</b>		US: Accenture, FedEx, General Mills				
Friday 18/12						
Date Time	Country	Event	Period	Survey	Prior	
18/12	JN	BOJ Policy Balance Rate	18-Dec		-0.1%	🌊*
18/12 01:30	JN	Natl CPI (YoY)	Nov	-0.8%	-0.4%	
18/12 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Nov	-0.9%	-0.7%	
18/12 09:00	UK	Retail Sales Inc Auto Fuel (MoM)	Nov	-1.3%	1.2%	🌊*
18/12 09:00	GE	PPI (MoM)	Nov	0.1%	0.1%	
18/12 11:00	EC	ECB Current Account SA	Oct		25.2b	
18/12 11:00	GE	IFO Business Climate	Dec	89.8	90.7	🌊*
18/12 11:00	GE	IFO Current Assessment	Dec	89	90	
18/12 13:00	UK	CBI Trends Total Orders	Dec		-40	
18/12 17:00	US	Leading Index (MoM)	Nov	0.4%	0.7%	🌊*
<b>Corp. Results</b>		US: Nike				

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