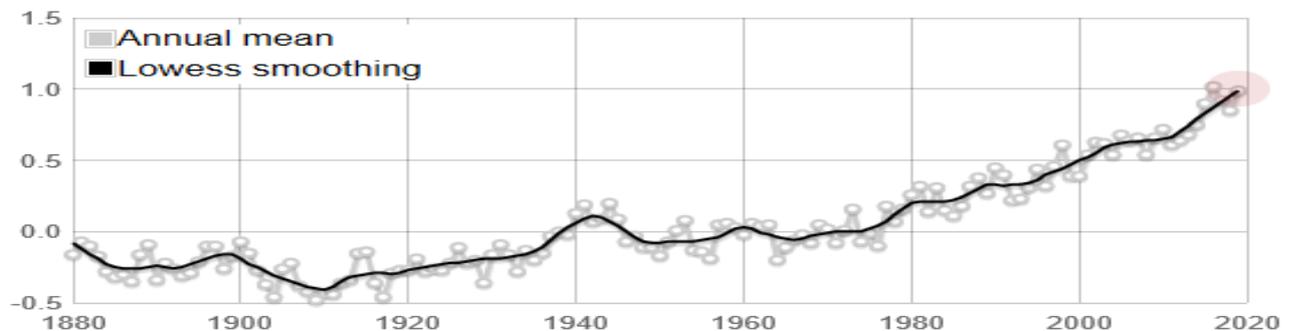


In this week, vaccinations against the pandemic started in the **US**. Talks in Congress about adding fiscal support for the economy are ongoing. The **Fed** said that it will continue buying at least \$120 bn. per month of assets, which include at least \$80 bn. per month government bonds and \$40 bn. agency mortgage-backed securities. The Fed noted that it will keep on buying assets until substantial further progress has been made towards maximum employment and price stability. The **EU** and **UK** are continuing the talks towards a trade deal and orderly Brexit.

Five years after the adoption of the Paris Agreement, the United Nations, the UK, and France, along with Italy and Chile, co-convened (December 12, 2020), in order to mobilize government and non-governmental leaders to demonstrate their commitment to the Paris Agreement and the multilateral process. **A total of 75 leaders announced climate related commitments:** The **European Union** pledged to lower greenhouse gas (GHG) emissions by at least 55% from 1990 levels by 2030. **China** committed to cut its carbon dioxide emissions per unit of gross domestic product (GDP) by over 65% by 2030, from 2005 levels. **UK** intends to lower GHG emissions at least 68% below 1990 levels by 2030. The net zero asset managers initiative committed to supporting net-zero GHG emissions by 2050 by aligning investments accordingly, which initially covers 9 trillion USD of assets. Climate finance pledges, including from the UK, Germany, France, Italy, Portugal, Finland and international financial institutions (EIB and World Bank). UN Secretary-General A. Guterres said that the global community is still not on track to limit global warming below 1.5°C. The graph illustrates the global surface temperature difference (1880-2020) relative to 1951-1980 average temperatures. Nineteen of the twenty warmest years have occurred since 2001, with the exception of 1998.

GLOBAL LAND-OCEAN TEMPERATURE INDEX

Data source: NASA's Goddard Institute for Space Studies (GISS).
 Credit: NASA/GISS



US retail sales dropped on monthly basis in November by 1.1%, the most since April. However, on yearly basis retail sales have risen by 4.1% in November (October: 5.5%). US electorate college, as expected, voted for J. Biden as the next US President. The official declaration by Congress is scheduled for January 6. The S&P 500 index increased at historic high (17/12: 3,722.5) and WTI crude oil at a high (17/12: \$48.59/barrel) since March.

The week ahead:

In the **US**, fiscal stimulus talks in Congress may conclude soon. The focus is on **EU-UK** trade talks for orderly Brexit, which will intensify until this Sunday (20/12). **Eurozone** consumer confidence index (21/12) and **US** consumer confidence index (Conference Board) for December (22/12) will be announced in the following week. **The outcome of US fiscal policy talks and EU-UK trade deal talks will be key for market sentiment in the last few days of 2020. The recent Fed meeting has confirmed that monetary policy will be ultra-supportive for financial conditions and the economy, for long period ahead, which is expected to be positive for the investment outlook in the medium term.**

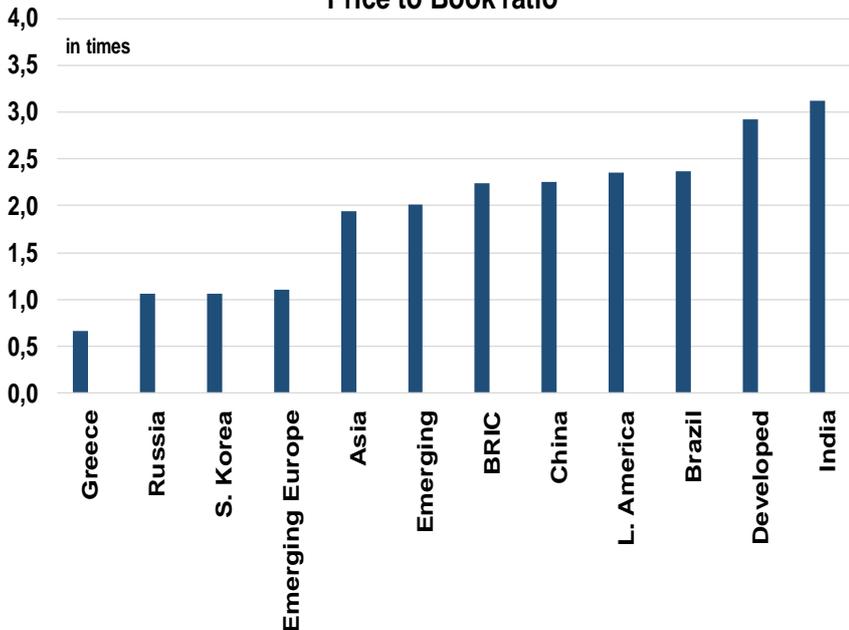
Quote of the Week:

The President of the Fed said (16/12): "The economy should perform strongly in the second half of 2021, on vaccines".

Global Markets in Charts

The Fed enhanced the forward guidance at the meeting of December 16, confirming continuation of monetary easing. Modest US government bond yields and dropping USD, have further pushed investors into risk-taking, benefiting emerging markets.

**Emerging vs Developed index and emerging markets:
Price to Book ratio**

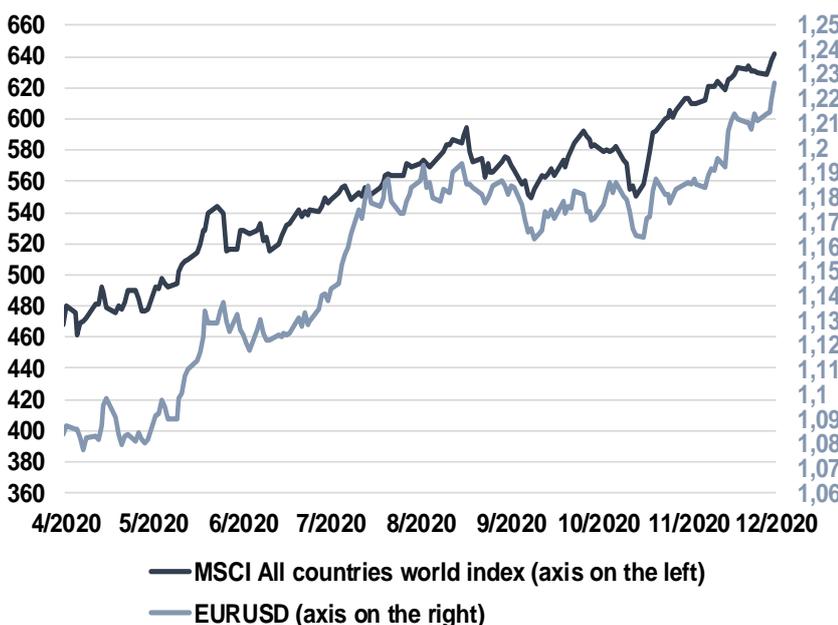


The Federal Reserve removed the phrase “over coming months” from its statement, confirming the expectation that monetary easing will be conducted for long period. This is expected to support market sentiment in the US equity market in the medium term. The upwards mid-term trend will also likely be evident in other major developed markets such as Europe and Japan.

In particular, the aggressive monetary easing by the Fed for long period is supportive for emerging markets. The valuation multiple of price to book ratio can be considered somewhat more attractive for the emerging index, standing at 2 times versus 2.9 times of the developed index. Inside emerging markets, Greece (ASE index) has attractive price to book ratio well below 1, which is consistent with the recovery in performance in the fourth quarter (26.7%). Asia has price to book ratio more attractive than the overall emerging index.

EUR/USD has risen in parallel with the world equity index.

Global equity index and EURUSD



The Euro has risen versus the USD at a high (17/12: \$1.2273) since April 2018. In the last months, the rise of the Euro goes “hand in hand” with the upwards move of the MSCI all countries world index, which posted historic high (17/12: 641.9). The parallel move of the Euro and global equities is fueled by common drivers. The smoother financial conditions, the expectation for economic recovery and the improved market sentiment, have gradually become evident widely in the world, including the Eurozone, and supporting the euro.

Most recently, some figures in the US have been mixed. Eurozone composite PMI has risen in December (49.8, November: 45.3) and German IFO business climate index also (12/20: 92.1, 11/20: 90.9), affecting the Euro positively. Resistance for the Euro versus the USD is at the area of \$1.2550-\$1.2600, while support is at the area of \$1.2100.

Source: Bloomberg

Global Markets Minesweeper
Event Risk Calendar, 21 - 25 December 2020

Monday 21/12						
Date Time	Country	Event	Period	Survey	Prior	
21/12 15:30	US	Chicago Fed Nat Activity Index	Nov		0.83	
21/12 17:00	EC	Consumer Confidence	Dec A	-18.3	-17.6	
Tuesday 22/12						
Date Time	Country	Event	Period	Survey	Prior	
22/12 07:30	JN	Nationwide Dept Sales (YoY)	Nov		-1.7%	
22/12 08:00	JN	Machine Tool Orders (YoY)	Nov F		8.0%	
22/12 09:00	UK	PSNB ex Banking Groups (GBP)	Nov	27.0b	22.3b	
22/12 09:00	GE	GfK Consumer Confidence	Jan	-7.3	-6.7	
22/12 09:00	UK	GDP (QoQ)	3Q F	15.5%	15.5%	
22/12 09:00	UK	GDP (YoY)	3Q F	-9.6%	-9.6%	
22/12 15:30	US	GDP Annualized (QoQ)	3Q T	33.1%	33.1%	
22/12 15:30	US	GDP Price Index	3Q T	3.6%	3.6%	
22/12 17:00	US	Conf. Board Consumer Confidence	Dec	97.5	96.1	
22/12 17:00	US	Existing Home Sales (MoM)	Nov	-2.2%	4.3%	
22/12 17:00	US	Richmond Fed Manufact. Index	Dec	12	15	
Wednesday 23/12						
Date Time	Country	Event	Period	Survey	Prior	
23/12 07:00	JN	Leading Index CI	Oct F		93.8	
23/12 15:30	US	Durables Ex Transportation (MoM)	Nov P	0.50%	1.30%	
23/12 15:30	US	Initial Jobless Claims	19-Dec		885k	
23/12 15:30	US	Durable Goods Orders (MoM)	Nov P	0.6%	1.3%	
23/12 15:30	US	Personal Income	Nov	-0.3%	-0.7%	
23/12 15:30	US	Personal Spending	Nov	-0.1%	0.5%	
23/12 15:30	US	PCE Core Deflator (YoY)	Nov	1.4%	1.4%	
23/12 16:00	US	FHFA House Price Index (MoM)	Oct	0.5%	1.7%	
23/12 17:00	US	U. of Mich. Sentiment	Dec F	80.9	81.4	
23/12 17:00	US	U. of Mich. Current Conditions	Dec F		91.8	
23/12 17:00	US	New Home Sales (MoM)	Nov	-0.9%	-0.3%	
Corp. Results		US: Paychex				
Thursday 24/12						
Date Time	Country	Event	Period	Survey	Prior	
24/12 01:50	JN	PPI Services (YoY)	Nov	-0.60%	-0.60%	

Markets early close (Christmas Eve)						
Friday 25/12						
Date Time	Country	Event	Period	Survey	Prior	🌐*
25/12	CH	BoP Current Account Balance	3Q F		\$94.2b	
25/12 01:30	JN	Tokyo CPI (YoY)	Dec	-0.8%	-0.8%	
25/12 01:30	JN	Tokyo CPI Ex-Fresh Food (YoY)	Dec	-0.8%	-0.7%	
25/12 01:30	JN	Jobless Rate	Nov	3.1%	3.1%	
25/12 01:50	JN	Retail Sales (MoM)	Nov	-0.8%	0.5%	
25/12 01:50	JN	Retail Sales (YoY)	Nov	1.7%	6.4%	
25/12 07:00	JN	Housing Starts (YoY)	Nov	-4.8%	-8.3%	
Markets closed in US and Europe Christmas Day						

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