

MARKETS LOOK TO VACCINE NEWS AS TRUMP'S RESISTANCE RUNS OUT OF ROAD

This week we learned that whatever else you may think of Donald Trump he's not a quitter. With Georgia having been declared for Joe Biden after a full recount and most of the Trump campaign's lawsuits having been dismissed it is going to take a very dramatic late turn of events to stop Biden getting the keys to the White House in January. Despite the president's refusal to concede, markets have moved past any doubts over the outcome and attention has once more focussed on the balance between pessimism about the speed and damage of the coronavirus outbreak and optimism about the development of coronavirus vaccines.

Equity markets saw a similar risk-on, risk-off pattern as positive news about vaccine effectiveness has been followed by an ever-rising tally of infections and more restrictions. This week has also seen speculation that the dollar could lose up to 20 per cent in value if there is an effective roll-out of vaccinations in the spring.

THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
+0.58%	+1.27%	+0.56	+0.90	+1.13%	-0.06%	-0.02%	+3.86%	-1.06%	+0.21%	+0.61%

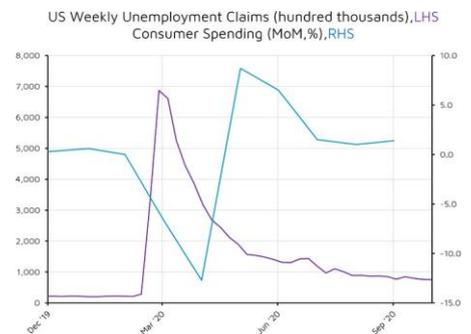
US: RAMPAGING COVID-19 INFECTIONS DENT US RECOVERY



The surge in coronavirus infections is beginning to affect consumer spending in the US. The number of new infections continues to rise with more than 175,000 new cases a day and hospital admissions due to the virus have also surged.

Unemployment has started to pick up with new weekly unemployment claims increasing for the first time in more than a month as new restrictions are imposed to halt the spread of Covid-19.

Consumer confidence and consumer spending have also been affected by the increase in infections. Credit card spending remains below the level seen in early March and many consumers have chosen to pay down debts rather than spend. US retail sales recovered sharply after lockdown in March and April, but the rate of growth has slowed dramatically in recent months and sales were up just 0.3 per cent in October compared with September. With the US economy dependent on consumer spending, even a small reduction in consumer activity will have a negative impact on economic growth.



EU: INFLATION AND POLITICAL TENSION CAUSE HEADACHE FOR THE ECB



Eurozone inflation remained below zero for the third month as coronavirus restrictions have curbed consumer spending and business investment. The annual inflation rate in the Eurozone was -0.3 per cent in October and 0.3 per cent for the EU, with Ireland, Italy, Spain and Greece seeing the biggest fall in prices. Getting inflation back towards 2 per cent remains a key aim for the European Central Bank but the Eurozone is heading for its first year of falling prices since 2016.

The EU's economic recovery is also facing political obstacles as this week Poland and Hungary vetoed the new EU 7-year budget as well as the €750bn coronavirus recovery fund. The fund is due to begin issuing loans and grants next year but this could be delayed over EU rules which limit access to funds to countries which do not uphold the rule of law. Poland and Hungary have both been accused by the EU of undermining the independence of their legal systems and are refusing to back the budget and recovery fund unless this stipulation is removed.

UK and EU Inflation rates (YoY, %)



EQUITIES: UK STAY AT HOME STOCKS BENEFITTING FROM LOCKDOWN



The return of lockdown in the UK has continued to benefit the share price of stay at home businesses. While the US has seen high growth tech companies deliver the greatest returns this year, the UK has seen some of the best returns from slightly unfashionable retailers.

This week Halfords reported profits for the first half of its financial year have doubled as more people took up cycling to avoid public transport. Kingfisher also released a positive update as it continues to benefit from the boom in DIY from people stuck at home. The owner of B&Q and French DIY chain Castorama said sales continue to grow and expects full year profits to be up around £175m. Over the last 12 months shares in the companies are up 70 and 49 per cent, respectively. Lockdown has also seen a big increase in the number of people keeping pets and Pets at Home is another retailer which has benefitted from a big increase in sales. Its shares are up around 98 per cent over 1 year.

