
A MOMENT IN MARKETS – THE BIG MOVERS COMING UP

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We are now in a very important week for markets and the global economy. Markets typically experience meaningful movement when there are unexpected data or policy announcements – and there is plenty in store that may cause a stir this week. Market participants will be watching the developments on the following fronts:

Corporate earnings:

According to FactSet, 27% of S&P 500 companies had reported earnings for Q3 2020 as of 23 October. Of these companies, 84% have reported earnings above estimates – which, so far, is well above the five-year average of 73%. This week is going to be busy with the biggest names in tech also due to make announcements. Positive earnings surprises may provide equities just the impetus they need following a lackluster show since the start of September.

Fiscal stimulus:

The impending round of US fiscal stimulus promises to provide risk assets the firepower to fuel a potential rally in the coming months. With the US elections merely days away, its expected time of arrival is still uncertain and neither House Speaker Nancy Pelosi nor President Trump has ruled out the possibility of a deal before the elections. Markets will take note if the cloud of uncertainty begins to lift off the negotiations through fruitful developments in the week ahead – even if the checks get distributed later.

Economic data:

Positive economic data from China last week gave markets the confidence that there is a way out of the ongoing slump for the global economy. But are the US and Europe going to paint an equally encouraging picture? The US will disclose its third quarter gross domestic product (GDP) growth numbers on Thursday 29 October while Eurozone's figures will be released the following day. Quarter-on-quarter GDP change in Q3 is forecasted to be 29.9% for the US (after a decline of 31.4% in Q2) and 9.3% for Eurozone (after a fall of 11.8% in Q2)¹. Risk assets will draw comfort from knowing that an economic recovery is underway globally.

Source

¹ Bloomberg as of 26 October 2020.

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