

RJO Previews and Perspectives for Friday, Nov 20

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Market attention next week -- U.S. market attention during next week's Thanksgiving holiday week will continue to focus mainly on whether the pandemic surge continues and the implications for the economy. The markets will also be hoping for additional positive vaccine news. Congress will be on recess next week, but the markets will be watching to see if political leaders indicate any progress on a spending bill or a stimulus bill.

The U.S. economic calendar is busy next Monday through Wednesday. The Treasury will sell 2-year and 5-year T-notes on Monday, and then 2-year floating-rate notes and 7-year T-notes on Tuesday. The FOMC on Wednesday will release the minutes from its Nov 4-5 meeting. Key U.S. economic reports include Tuesday's home price and consumer confidence reports, and Wednesday's PCE deflator and consumer sentiment reports.

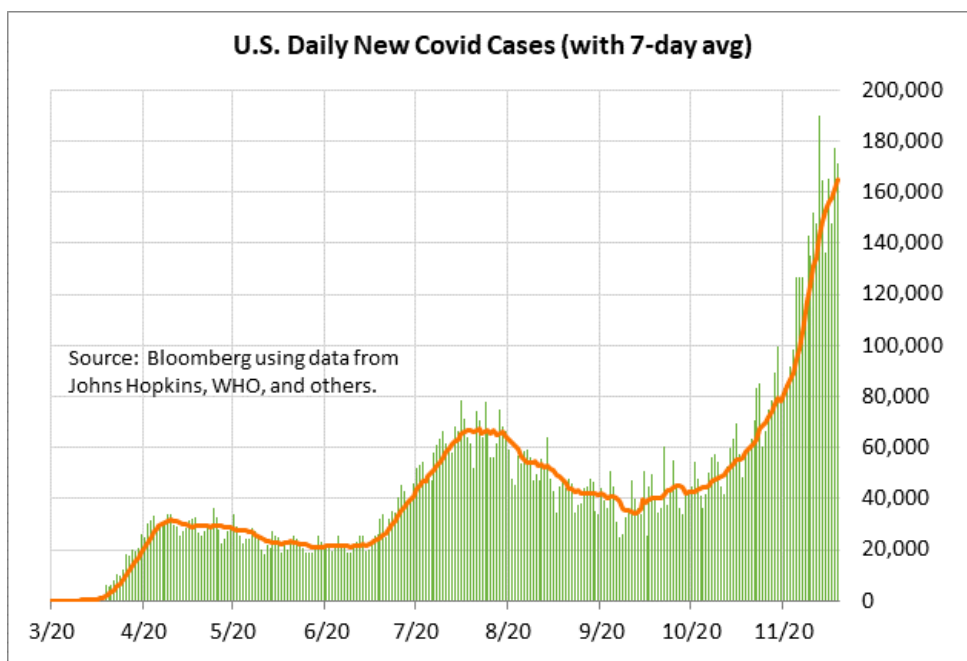
SIUXX - Nasdaq 100 Index - Daily OHLC Chart



Markets wait to see if tighter restrictions curb the pandemic surge -- Many states and municipalities in the past two weeks have announced tighter restrictions in an attempt to dampen the pandemic surge. The current surge seems to be mainly seasonal in nature, like the flu, as people move indoors, making it difficult to control. The markets are waiting to see if the tighter restrictions will dampen the pandemic surge or whether it will get even worse, particularly after group gatherings during the Thanksgiving holiday. Tougher restrictions are likely if the pandemic surge gets worse since hospitals across the country are already at or near capacity.

The markets will also be watching carefully for news of more progress on the vaccine front. Vaccines by both Pfizer and Moderna have already been shown to be about 95% effective, and emergency use authorizations are expected by the FDA and other agencies within a matter of a few weeks. Authorities expect vaccinations to begin in the latter part of December.

However, vaccinations over the next few months are expected to be limited to people in high-risk categories. Dr. Fauci has said that the vaccines are not expected to be widely available for the general public until around April. That suggests that vaccines by themselves will not be able to halt the pandemic surge until probably late winter 2021. States and municipalities in the meantime will be forced to continue to rely on masks, social distancing, and other restrictions to dampen the pandemic.



Washington political uncertainty continues -- The political uncertainty in Washington continues with President Trump having yet to concede the election and with control of the Senate depending on the two run-off elections in Georgia on January 5.

President-Elect Biden's grip on becoming the next president is strengthening by the day as canvassing and recounts are completed and as states certify their results. However, nothing will be certain until the Electoral College meets to elect the next president on December 14 and until Congress meets to count the votes and determine the winner on January 6. Inauguration Day is January 20.

Meanwhile, control of the Senate in the next session depends on the run-off elections on January 5 for the two Georgia Senate seats. The Senate election results are currently at 50 seats for Republicans and 48 seats for Democrats. If Democrats win both the Georgia seats, then there will be a 50-50 tie and Vice President-Elect Harris will be able to break the tie in favor of Democrats.

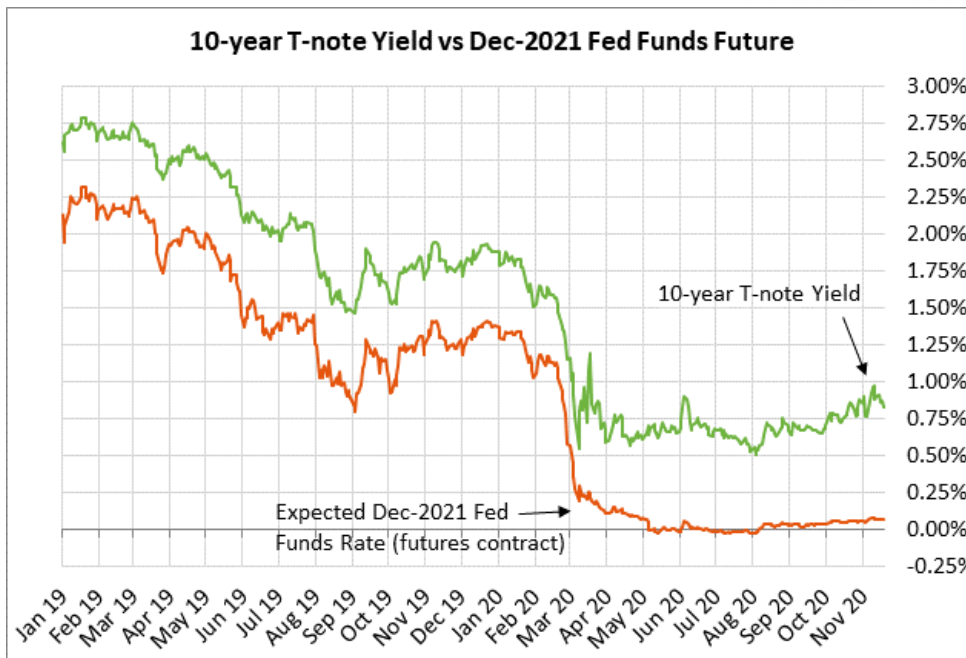
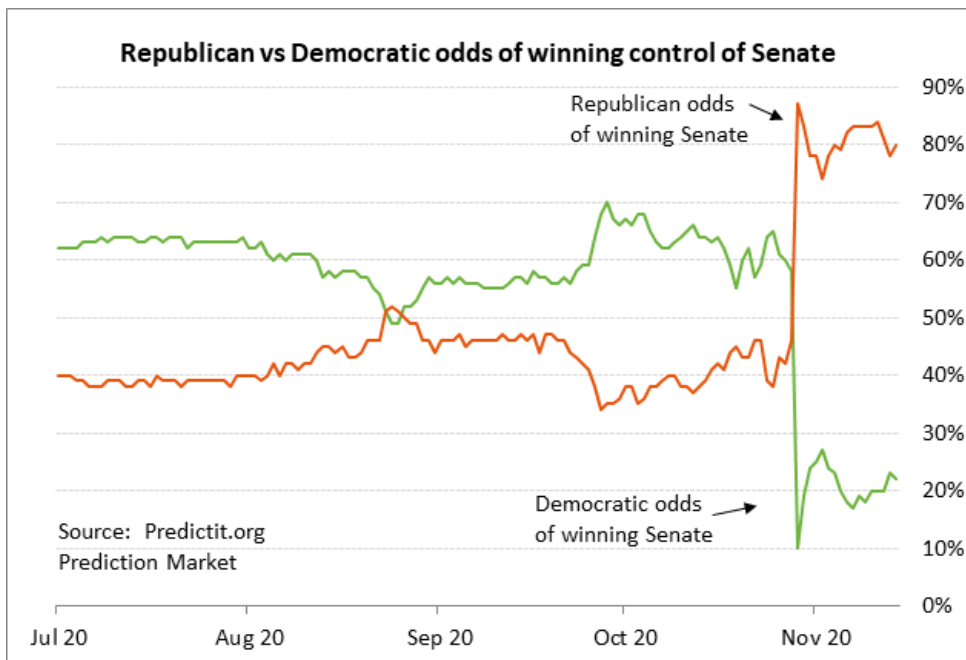
The betting odds at PredictIt.org, for whatever they are worth, give Democrats only a 22% chance of winning both those Senate seats and taking control of the Senate. However, that means there is still a 22% chance that Democrats could take full control of Washington, thus allowing blue-wave legislation to proceed, such as higher taxes and a big stimulus bill.

Congress will be on its Thanksgiving break next week. After returning on November 30, Congress will have to sprint to pass a spending bill to avoid a U.S. government shutdown after December 11, when the current continuing resolution expires.

Congressional budget negotiators are working on an omnibus spending bill that would fund the government for the remainder of the fiscal year through September 30, 2021. However, it remains unclear whether Congress will be able to pass an omnibus spending bill that President Trump will sign by December 11. If there are any snags, then Congress would be forced to pass another short-term continuing resolution that punts the spending bill into early 2021.

The chances appear to be very low for a large pandemic stimulus bill during the lame-duck session. There are currently no negotiations, and Senate Majority Leader McConnell and Speaker Pelosi have given no indication they will budge from their highly divergent positions. However, it is possible that Congress might put some pandemic relief measures in the December 11 spending bill, such as an extension of unemployment benefits or other programs that would otherwise expire on December 31.

The Treasury and the Fed got into a spat late yesterday that pushed stock index futures lower. The Treasury said it wants a 90-day extension for four of the pandemic rescue programs (Commercial Paper Funding Facility, Primary Dealer Credit Facility, Money Market Mutual Fund Liquidity Facility, and PPP Liquidity Facility) but wants to close the other five of the programs (primary and secondary credit market facilities, Municipal Liquidity Facility, Main Street Lending Program, and Term Asset-Back Securities Loan Facility). The Fed responded by saying it wants to keep them all open.



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