

RJO Previews and Perspectives for Friday, Nov 27

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Weekly market attention -- U.S. market attention next week will focus on (1) whether the pandemic surge continues and any vaccine news, (2) any progress in Washington on a spending or stimulus bill, (3) political uncertainty as the markets wait for finalized presidential election results and the determination of Senate control with the outcome of two run-off elections on Jan 5 for the Georgia Senate seats, (4) any additional appointments by President-Elect Biden for his economic team, (5) oil prices as OPEC+ meets on Mon-Tue to decide on its production level for Q1-2021, and (6) a busy economic calendar with the highlight being Friday's Nov unemployment report (Nov payrolls expected +500,000; unemployment rate expected -0.1 to 6.8%).

In Europe, the focus continues to be on the economic fall-out from the pandemic surge. Also, Brexit negotiations are coming down to the wire with little time left for parliamentary approvals of any last-minute deal. The tentative schedule would be for EU leaders to approve a deal at a summit on Dec 10-11 and for the EU Parliament to vote on the deal on December 16, although that date could be moved back. The EU Parliament reportedly needs three weeks to study the deal before a vote. The UK Parliament could approve the deal on short notice.

In China, the markets are waiting for any additional actions by the Trump administration against the Chinese government or Chinese companies before Inauguration Day on January 20.

The markets are also on guard for any military action by President Trump during his last weeks in office. There were reports earlier this week that the Israeli military has been put on alert in the event that Mr. Trump launches a military strike on Iran's nuclear facilities.

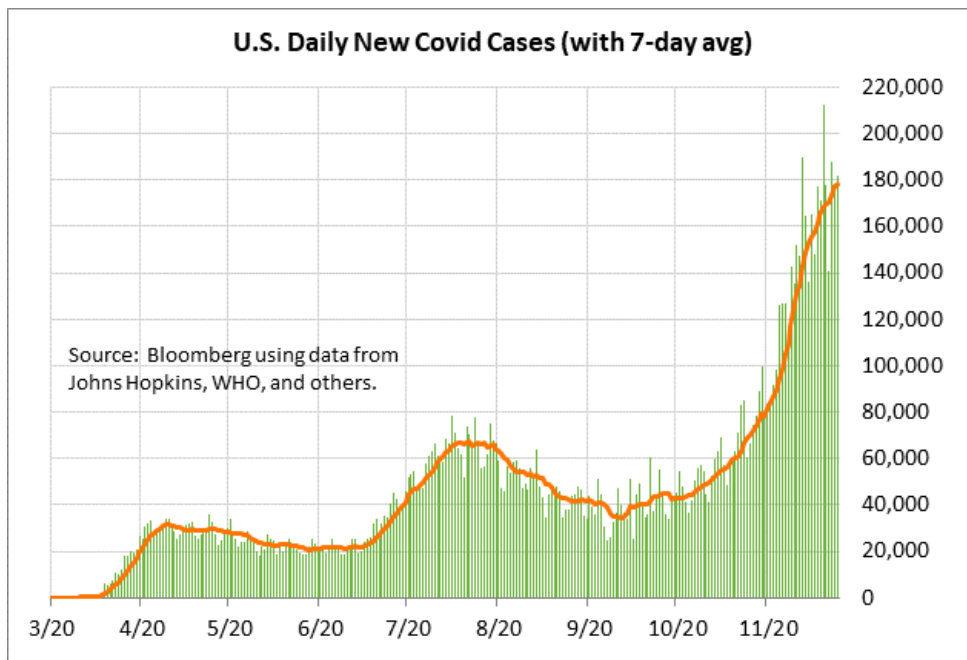
SIUXX - Nasdaq 100 Index - Daily OHLC Chart



Markets wait to see if tighter restrictions curb the pandemic surge -- The markets are waiting to see if the tighter restrictions implemented in the past several weeks will dampen the pandemic surge. Additional restrictions are likely if the pandemic surge worsens since hospitals across the U.S. are already at or near capacity.

New U.S. Covid infections have been running near +175,000 over the past week, which indicates some plateauing. However, the markets will be watching for any upward spike in infections in the next 1-2 weeks following this week's Thanksgiving gatherings.

The markets will also watch for any news on the vaccine front. Moncef Saoui, head of the U.S. Operation Warp Speed, said this past Sunday that U.S. Covid vaccinations would "hopefully" start in less than three weeks. The U.S. Food and Drug Administration (FDA) is scheduled to meet on Dec 10 to discuss emergency use authorizations for the Pfizer and Moderna Covid vaccines. AstraZeneca may have to repeat its human trial after news on Thursday of some inconsistencies in its testing regime.



Washington political uncertainty continues -- The political uncertainty in Washington continues with President Trump still disputing the election and with Senate control 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 more states certify their results and appoint electors before the Dec 8 deadline. In addition, the GSA last week relented and allowed the Biden transition to officially begin. 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.

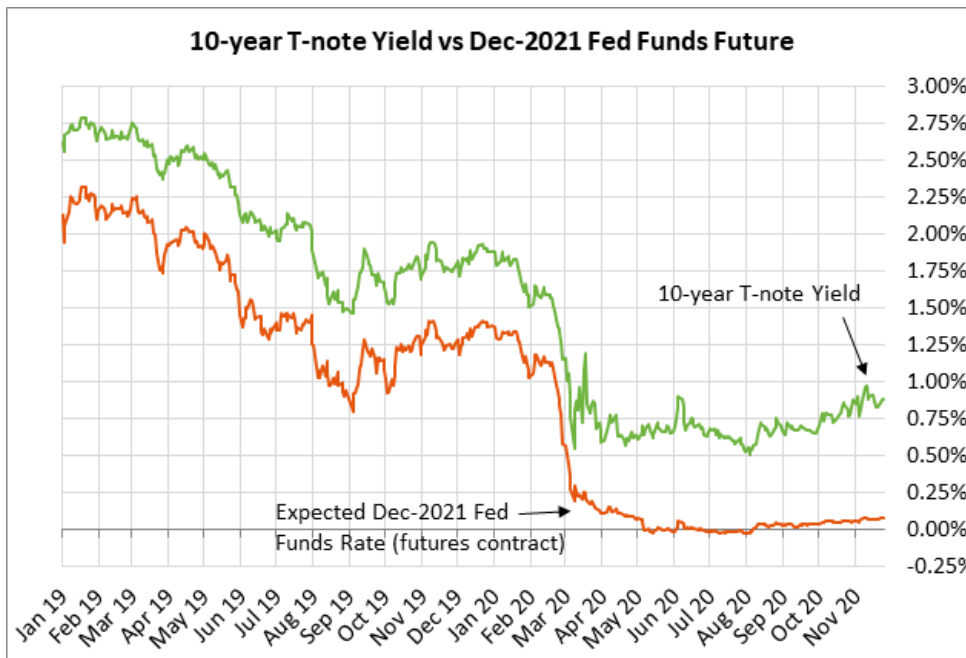
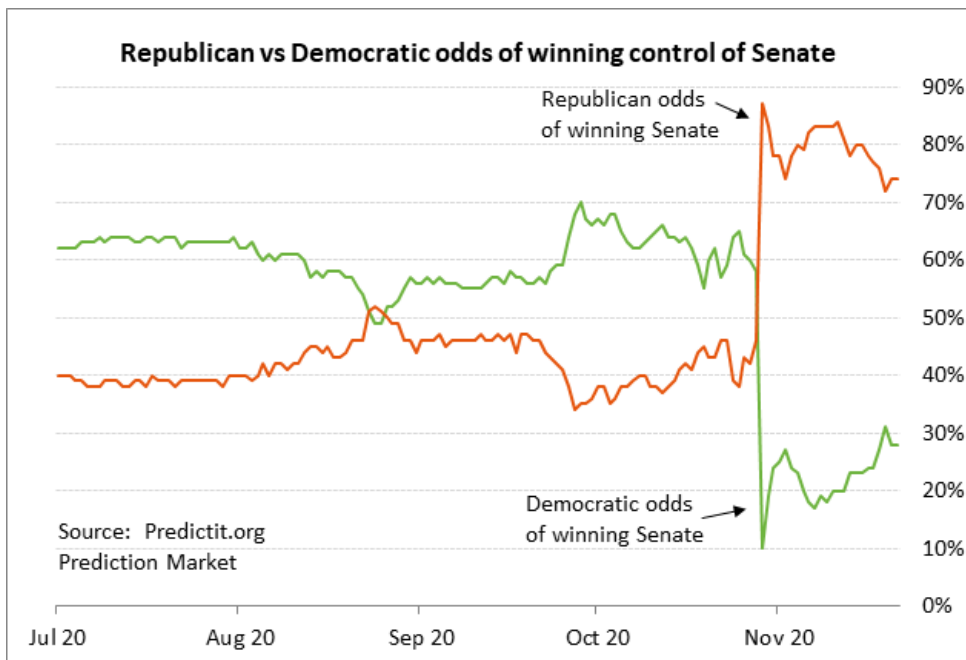
Meanwhile, control of the Senate in the next session depends on the run-off elections on January 5 for the two Georgia Senate seats. The Senate election results are currently at 50 seats for Republicans and 48 seats for Democrats. If Democrats win both of the Georgia seats, then there will be a 50-50 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 28% chance of winning both the two Georgia Senate seats and taking control of the Senate. However, that means there is still a 28% 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.

After returning from its Thanksgiving break this coming Monday, Congress will have only 1-1/2 weeks left to pass a spending bill to avoid a U.S. government shutdown after December 11, when the current continuing resolution expires. There is the possibility of a government shutdown since President Trump is demanding \$2 billion in border-wall funding, which the House Democrats are refusing to provide.

Congressional budget negotiators are trying to agree on an omnibus spending bill that would fund the government for the remainder of the fiscal year through September 30, 2021. However, 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 for a large pandemic stimulus bill during the lame-duck session remain slim. Treasury Secretary Mnuchin recently said he was trying to get negotiations restarted but he has not reported any progress. McConnell-Pelosi have so far only restated their highly-divergent positions and have given no indication they will budge. It remains possible that Congress might put some pandemic relief measures in the December 11 spending bill since there are many relief measures such as extended unemployment benefits that will otherwise expire on Dec 31.



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