

# FLASH BOURSIER

## THE NEW CORONAVIRUS VARIANT IN THE UK RAISES FEARS

### Overview

#### Highlights:

**Shipments to the UK suspended by several countries**

**Fed leaves rates unchanged and continues buying bonds**

The concern sparked by the « variant » of Covid-19 that has emerged in Britain weighed on stock markets this morning. This mutant form of the virus, which could be capable of spreading faster than earlier strains, is reported to be out of control by the UK health authorities. The news has overshadowed progress made in developing and delivering vaccines and the emergency approval of Moderna's product by the FDA. The outbreak already has various implications, with new restrictive measures including lockdowns and a 48-hour suspension of shipments to Britain by a number of countries in continental Europe and Canada. The new wave of the virus could complicate the vaccination programmes which are getting under way and create a very bumpy return to economic normalcy. One notable impact could be a reduction in demand for energy, which is already struggling to rebound, and a new drop in oil prices. Lack of progress in Brexit negotiations is moreover pushing down the pound. Significant differences on issues such as fishing rights continue to block a trade deal.

The good news is from America, where after months of bickering Republicans and Democrats have finalised a fiscal stimulus package worth USD 900 billion. The bill is due to pass Congress today.

At its 16 December meeting the US Federal Reserve left its policy rate unchanged at zero per

cent and said it wants to continue buying bonds at the rate of at least USD 120 billion a month until the American economy returns to full employment and inflation is back to 2%. The debt purchases and accommodating interest rates are buoying the flow of credit to businesses and households. Investors were nevertheless disappointed that the US central bank did not announce an increase in the duration of its asset purchases, which remain mostly short term. Meanwhile the Fed raised its economic forecasts, projecting a fall in US GDP of only -2.4% in 2020 followed by a rise of 4.2% in 2021.

In global macro data, China's numbers were in line with expectations and buoyed investors' confidence in the strength of the economic upturn. Industrial production was up 7% and retail sales up 5.3%. Data across the euro zone were also encouraging. In Germany particularly, the IFO business confidence indicator swung back up to 92.1 points, while the PMI manufacturing and services gauges, respectively reaching 58.6 and 47.7 points, beat expectations. By contrast, US retail sales disappointed with a drop of 1.1%.



The SMI remains locked in a range between 10,600 and 10,350 points. In view of developments regarding the Covid pandemic, at this point the index looks likely to fall below the lower limit.

### Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI EMERGING MARKETS
<b>Latest</b>	0.88	1.08	10'523.86	3'545.74	13'630.51	5'527.84	5'935.98	3'709.41	12'755.64	26'763.39	1'268.36
<b>Trend</b>	↓	➡	➡	➡	⬆️	➡	↓	⬆️	⬆️	➡	⬆️
<b>%YTD</b>	-8.70%	-0.31%	-0.88%	-5.32%	2.88%	-7.53%	-21.30%	14.81%	42.16%	13.13%	13.79%

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### CONGRESS SET TO PASS A STIMULUS PACKAGE BY CHRISTMAS



Yesterday, Republican and Democratic representatives at last reached an agreement on new fiscal stimulus measures amounting to USD 900 billion to help businesses and households cope with the consequences of the Coronavirus crisis. The bill still has to pass both the House and the Senate today and then be signed into law by President Trump.

The stimulus package, long awaited after nearly five months of intense debate between the two parties, provides for direct payments to American households, a rise in unemployment benefits and billions in aid to small businesses.

The airline industry will receive USD 15 billion in financial support, enabling carriers to continue paying over 32,000 employees until next March.

Delayed since the summer and reduced from an original proposal of USD 2 trillion to 900 billion, the plan failed to cheer stock markets, which opened down this morning in view of the bad news regarding the spread of Covid-19 in the UK. However, after the USD 2.3 trillion approved by Congress in March, the new package is one of the biggest in American history.

Clearly, 2020 will go down as a year of record stimulus plans of all kinds aimed at keeping the markets buoyant, with accommodating monetary policy measures by central banks and generous fiscal stimulus by governments. In finance, the term stimulus has undeniably joined the pantheon of traditional terms such as organic growth, price/earnings ratio and cash flow. Investors have been fortified by announcements of stimulus, which quickly eclipsed the good old notion of valuation.

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