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Investors cling to good news

In November, investors' optimism was supported by the hope of a trade agreement between China and the U.S., the risk reduction of a no deal Brexit, and the slight rebound in advanced economic indicators.

Official declarations supported hope for the signature of a Sino-American trade agreement in December (initially planned mid-November). However, risks relating to negotiations remains high. D. Trump warned to impose additional taxes of 15% on \$160 bn of Chinese imports in case of negotiations failure. On the other side, China recently threatened Washington with retaliation after the promulgation of a law supporting pro-democracy protests in Hong Kong.

According to the latest polls, B. Johnson's party could win a majority at the 12 December parliamentary elections. Such scenario would allow the U.K. to orderly leave the European Union.

PMI indices slightly recovered in November which helped supporting the markets.

December should be decisive for financial markets with early elections in the U.K. and the introduction of new customs duties in the case of negotiations failure.



"December should be decisive for financial markets"

| | | MTD* | YTD* |
|-----------------|-------------|----------|-----------|
| INDICES | US (SPX) | +3.4% | +25.3% |
| | EU (SX5E) | +2.8% | +23.4% |
| | Japan (NKY) | +1.6% | +16.4% |
| VOLATILITY | VIX | -0.6 pts | -12.8 pts |
| | V2X | -0.6 pts | -10.7 pts |
| SOVEREIGN RATES | US-10Y | +8 bps | -91 bps |
| | Germany-10Y | +5 bps | -60 bps |
| | Italy-10Y | +31 bps | -151 bps |
| | Spain-10Y | +18 bps | -100 bps |
| FOREX | EURUSD | -1.2% | -3.9% |
| | USDJPY | +1.4% | -0.2% |
| COMMODITIES | Oil | +1.8% | +21.5% |
| | Gold | -3.2% | +14.2% |

In this context, main equity markets recorded positive performances and the S&P 500 reached a historical high. The implied volatility of the U.S. and European indices also declined.

The minutes of the last monetary policy meetings confirmed the central banks' wait-and-see attitude, leading to a slight rise in sovereign rates. After an easing period since the beginning of the year, spreads in European interest rates also rebounded.

Positive signals on the U.S. growth and the Fed's pause led to a slight appreciation of the dollar against the euro and the yen.

Oil prices were quite volatile during the month prior to the OPEC+ meeting in early December, which could lead to further production cuts. With investors' optimism, demand for gold decreased in November but is still up since the beginning of the year.

*As of 29 November 2019

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