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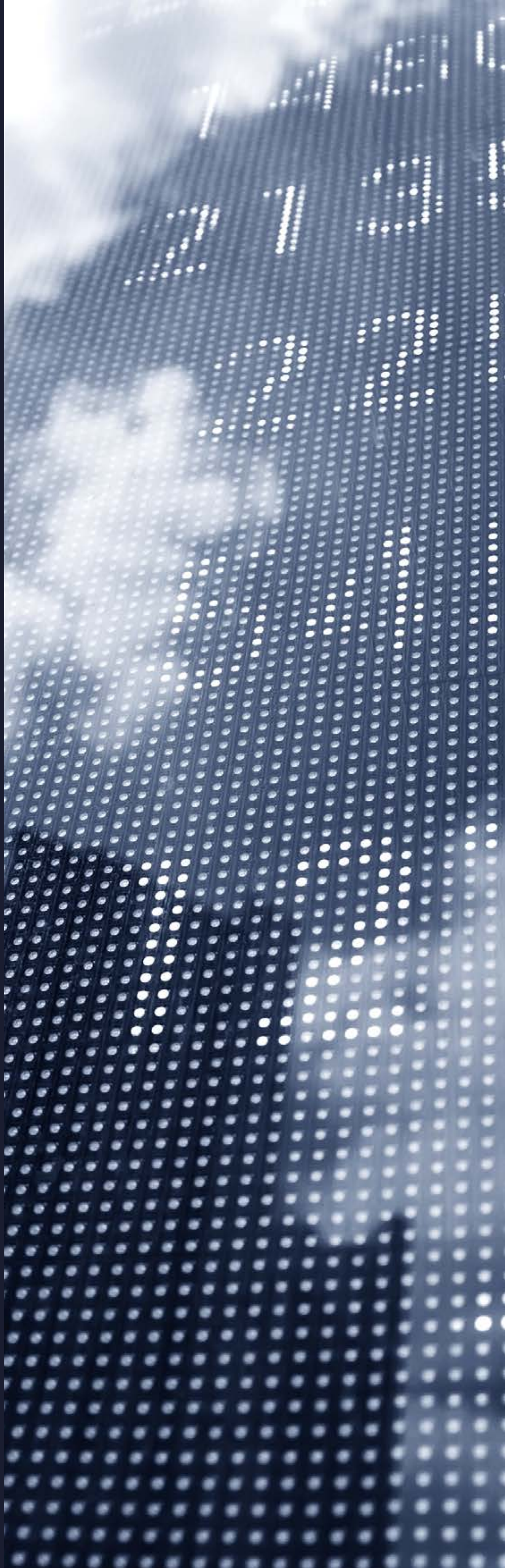
2020 Market Outlook

Trading opportunities in the year ahead



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Introduction

Will the global economy bounce back to life in 2020?

2019 has certainly been a year to remember in the financial markets. Geopolitical issues have been at the centre of news headlines, dominated by the US-China trade dispute, threats of a hard Brexit and demonstrations across many countries. Fears of a global recession escalated when the US Treasury yield curve inverted in August for the first time since mid-2007. The combination of these factors weighed heavily on business sentiment and economic growth.

That said, global equity markets still had a phenomenal year with the MSCI World Index, which tracks companies in 49 countries, hitting a record high and rising 25% in 2019. Thanks to monetary and fiscal policymakers who have intervened to restore confidence, 2019 has seen the fastest pace of central bank easing since the financial crisis in 2008. Moreover, the agreement of a "phase one" trade deal by the US and China and more clarity on Brexit have encouraged risk-taking into year-end.

The ageing bull cycle likely to last a little longer

Loose monetary policy, de-escalation in the trade war and less fears around a hard Brexit are likely to stabilise business sentiment and global manufacturing activity in the first half of 2020. This should lead to above trend-growth in the second quarter of next year with the main beneficiaries being emerging markets, particularly countries tied to China's supply chain.

In such an environment, one can expect stock market performance to remain positive, although lower returns are expected compared to 2019 given that equities have already discounted significant improvement in economic activity. Meanwhile, fixed income returns may come under pressure, especially in developed economies, as yield curves steepen and investors position for the reflation trade as inflationary pressures re-emerge.

Risks that could upset a potential recovery

Trade disruption remains the number one risk that could threaten the economic recovery and increase the chance of a recession in late 2020. We still believe that both US and China have incentives to improve trade relations. President Donald Trump wants to keep stock markets buoyant ahead of his 2020 re-election campaign, which means he needs to lift the economic uncertainty that trade tensions pose. However, the unpredictability of the current US administration makes it difficult to guarantee that trade talks will continue moving in the right direction. Any re-escalation in trade tensions may cause a fatal blow to economic activity and global equity markets.

Another risk that could lead to a similar scenario is a central bank policy error. After the Fed tightened financial conditions in 2018, we saw one of the most turbulent sell-offs in financial markets in years. So, central banks in 2020 will have little room for error. If they believe that conditions have materially changed opening the way for rate rises, we may see a repeat of the 2018 meltdown.

Finally, investors need to keep an eye on geopolitical risks, whether it's the unrest in Hong Kong and elsewhere, possible conflict in the Middle East or further fragmentation in the European Union due to the rise of populists. Many of these risks have the potential to become a black swan event.

"Trade disruption remains the number one risk that could threaten the economic recovery and increase the chance of a recession in late 2020."

Written by **Hussein Sayed**
Chief Market Strategist at FXTM

The US Dollar

Has the US Dollar already topped out in 2019?

Considering our base case scenario of moderate global growth in the first half of 2020, the US Dollar is not likely to be in favour with many investors. For the Dollar to retain its uptrend, either the US economy strongly outperforms or the global economy weakens further, triggering capital flows into the safety of the Dollar.

As fears of a global recession have dissipated and the manufacturing cycle looks to be heading for a U-turn in the first half of 2020, expect to see some rotation from the US into the Eurozone and emerging markets. This should benefit the Euro, Chinese Yuan, Brazilian Real and the Indian Rupee.

Another factor that may contribute to Dollar weakness is a dovish Federal Reserve. After three rate cuts in 2019, there is still room for further easing in 2020, especially if business investment remains fragile and consumer spending begins to weaken. However, in currency markets, there's always a high probability of being surprised.

Fiscal easing into 2020 elections

With the US Presidential elections less than a year away, the chance of another fiscal boost isn't out of the question. Whether President Trump announces another tax cut, an increase in spending levels or a combination of both, this would push bond yields higher and attract more capital inflows, especially given the low yield environment elsewhere. In this scenario, instead of remaining on hold or lowering interest rates, the Federal Reserve would have no option but to raise interest rates in anticipation of higher inflation. Under this theme, the Dollar is likely to move higher and break above 2019 highs.

Trade tensions intensify again

Financial markets have welcomed the "phase one" US-China trade deal and hope it's the first step towards long-term trade peace. However, no one can guarantee that tensions won't intensify again. If they do, expect another wave of outflows from emerging markets and other developed countries into the US. This scenario will see the USD outperform against its major counterparts.

> "For the Dollar to retain its uptrend, either the US strongly out-performs or the global economy weakens further."

Daily timeframe

4-Hour timeframe

Time for Dollar to step off its throne?

From a technical standpoint, a death cross (when its 50-day moving average moves below its 200-day moving average) is forming on the Dollar Index, which indicates the potential for a major decline.

If 97.80 and 98.50 prove to be stubborn resistance levels and the death cross materialises, the Dollar Index has the potential to slip towards levels not seen since July 2019 at 96.60. A solid daily close below this support should inspire a steeper decline towards 96.25 and 95.50, respectively. Should the downside momentum result in the Dollar Index breaking below 95.50 level, the next key support will be around 94.50 — a level not seen since 2018.

Alternatively, the Dollar could maintain its grip on the throne if prices can push back above 98.50. A solid close above this point should open the path towards 98.90 and 99.30.

The Dollar in a Nutshell:

The Dollar is expected to fall out of favour among investors, as it now stands on the cusp of a major decline. However, King Dollar could tighten its grip on the throne if the Fed raises US interest rates or if US-China trade tensions spike once more.

"A dovish Fed with further monetary easing in 2020 may contribute to Dollar weakness."

The Dollar: Key Events in Q1 2020

Ongoing	January 29 - 30	March 19 - 20
Trump's impeachment trial in US Senate	FOMC meeting	FOMC meeting

Written by Lukman Otunuga,
Senior Research Analyst at FXTM

The British Pound

The Pound has been hit by reality as post-election honeymoon ends

It's been more than three and a half years since the United Kingdom voted to leave the European Union and the country is finally on track to achieving Brexit by the end of January 2020.

A landslide Conservative win in the general election on December 12 has paved a clear near-term path for Brexit. This burst of clarity resulted in Sterling staging its biggest rally in almost three years against its G10 peers, with the currency jumping over 3% against the Dollar to hit a 2019 high of 1.3510.

The good news for Brexit is that Boris Johnson is certainly fulfilling his pledge to 'get it done'. However, the bad news is that more uncertainty and drama will be on the cards during the 11-month transition period which the UK needs to negotiate a new trade relationship with the EU.

Pound out of the frying pan...... into the fire?

The post-election honeymoon has ended abruptly, with the Pound's 'Boris bounce' short-lived after suffering one of the worst weeks of the year in the immediate days after the election. Investors have quickly turned their attention to the threat of a no-deal Brexit at the end of the transition period in December 2020.

Fears over the United Kingdom failing to reach a trade deal with Brussels are already being fuelled by Johnson's vow to outlaw an extension of the EU trade talks beyond the end of the current transition period. Without new trade deals in place, the UK will revert back to World Trade Organization (WTO) rules with the EU, which will most likely result in additional tariffs and quotas on a range of goods — essentially hurting businesses and the economy.

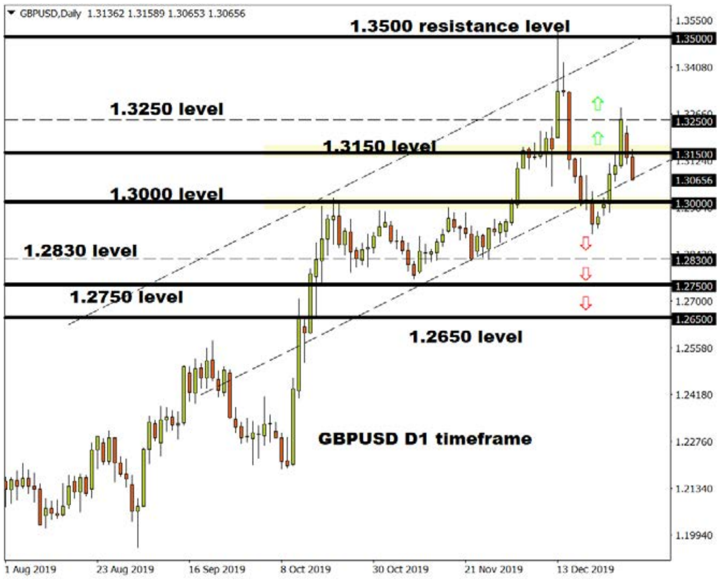
Politics set to overshadow economic data

Brexit and political developments are set to overshadow UK economic fundamentals during the first quarter of 2019 with the Bank of England expected to leave interest rates unchanged.

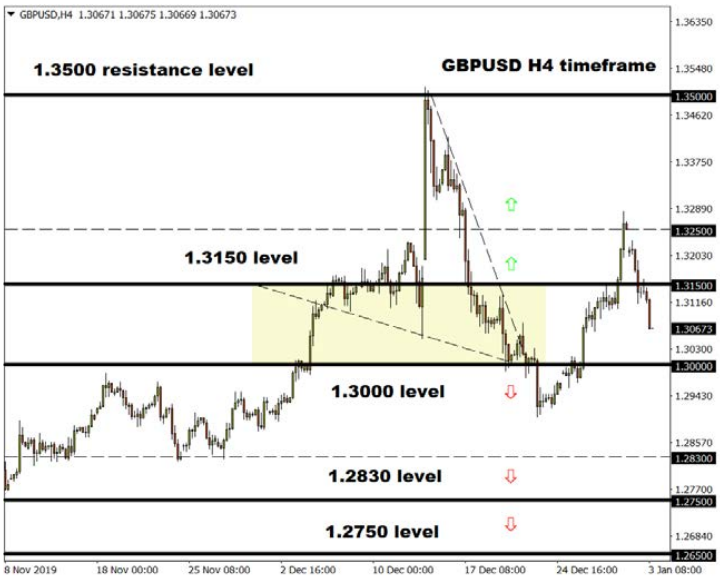
A brighter global outlook supported by easing global trade tensions could offer a bandage to the UK economy while supporting the Pound. Improving economic conditions should provide some relief to Europe, which has always been the UK's largest trading partner. Given the deep economic relationship between both sides, a stronger Europe is good for Britain.

> "Brexit and political developments continue to overshadow UK's economic fundamentals in the first quarter."

Daily timeframe



4-Hour timeframe



Will 1.35 act as a ceiling for GBPUSD in Q1?

With regards to the technical picture, GBPUSD is under intense pressure on the daily charts with prices struggling to keep above 1.30. Rising fears over a no-deal Brexit should continue to dampen the attractiveness of the Pound to investors, resulting in the GBPUSD trending lower. A strong close below 1.30 will most likely invite a decline towards 1.29 and 1.2830 in the near term. If the currency keeps below 1.29, prices are seen testing 1.2750 and even possibly 1.2650 by the end of the first quarter.

Alternatively, the Pound is seen rebounding if prices can break above 1.3150. A potential advance back above 1.3250 could encourage a return to the 2019 December election high of 1.35 during the first quarter.

The Pound in a Nutshell:

The Pound will be mostly influenced by politics and Brexit headlines in Q1. Growing fears of a hard Brexit could see the GBPUSD decline towards 1.2750 and possibly even lower. However, the currency could still stage a rebound towards 1.3250 if there is a transition period extension and Brexit-related negotiations run reasonably smoothly.

> “Rising fears of a hard-Brexit should continue to dampen investors’ appetite towards the Pound.”

The Pound: Key Events in Q1 2020

January 30	January 31	March 26
Bank of England policy meeting	Brexit deadline	Bank of England policy meeting

Written by Han Tan,
Market Analyst at FXTM

The Japanese Yen

Tight ranges likely to stay in Q1 for the Japanese Yen

USDJPY is set to nudge towards the 111 mark during the first quarter of 2020, given the risk-on environment created by the expected US-China "phase one" deal and the accompanying rollback of some trade tariffs. Considering the subdued fears over a global recession, risk-on sentiment is likely to persist which should translate into dampened demand for the safe haven Yen.

Yen to keep its low-volatility character

Any moves in the Yen are set to be gradual, in keeping with last year's trend of low volatility. In 2019, USDJPY saw its least-volatile year in about five decades, as it was confined between the 104 to 112 range. One year realised volatility has dropped back to 6% annualised, while implied volatility is 7% - both very low by the standards of USDJPY. The Japanese currency could only manage a 0.23% annual gain against the US dollar despite the spikes in global trade tensions and deteriorating global economic conditions. This was in stark contrast to the double-digit annual moves registered by other safe haven assets, such as Gold (17% gain) and 10-year US Treasury yields (28% decline). The Yen's latest bearish run against the US Dollar, which can be traced back to August 2019, is also set to advance further once USDJPY crosses above the 110 psychological level.

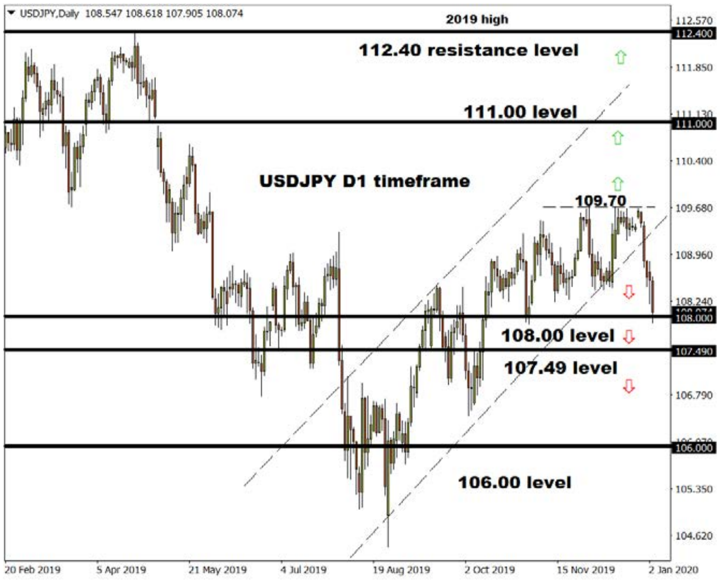
Yen could find support from domestic events

From a fundamental perspective, the beginning of 2020 will see a limited US-Japan trade deal that removes tariffs on industrial and farm goods go into effect. Prime Minister Shinzo Abe's $120 billion stimulus package will continue making its way through the economy, while spending in the lead up to the 2020 Tokyo Olympics should also bolster Japan's economic fundamentals potentially drawing in more foreign funds. All these factors should further offset the downside risks to the Japanese economy and, by extension, the Yen as well.

With the benchmark interest rate still at minus 0.1 percent, any policy adjustments by the Bank of Japan are seen as unlikely during Q1. This means Yen bulls won't be in the driving seat unless the BOJ can end its negative-interest rate policy, akin to what Sweden's Riksbank did in December. At least Shinzo Abe's fiscal stimulus package is allowing the bank to step away from an easing stance, which could help buffer support for the Yen.

> "Any moves in the Yen this year are set to be gradual, keeping with last year's trend of low volatility."

Daily timeframe



4-Hour timeframe

USDJPY quiet in Q1

Looking at the technical picture, 1-month implied volatility for USDJPY reached a record low in December, which suggests that the currency pair could be squeezed into a tighter range going forward, between 108 and 111 over the coming months.

However, should the risk-on mode go into overdrive, a meaningful break above the psychological 111 level could see USDJPY carving a path towards 112.40 — the high from 2019. Catalysts for a steeper-than-expected decline in the Yen could come in the form of solid signs of a protracted recovery in the global economy. Also remember that USDJPY retains a strong correlation with stock markets, meaning that continued upside for the world's equity indices will provide little sustained demand for the Yen.

However, any event that reinvigorates sustained risk aversion in the markets for an extended period of time, such as a sudden escalation in geopolitical tensions, could strengthen the Yen and push USDJPY lower towards the 107.49 level with longer-term support at 106.00.

The Yen in a Nutshell:

USDJPY is set to move gradually towards the 111 handle, considering the risk-on sentiment stemming from the expected US-China trade deal. Although the overall demand for the safe havens is set to be dampened, the Yen should find some measure of support from the easing of economic headwinds in Japan.

The Yen: Key Events in Q1 2020

January 20 - 21	March 18 - 19
Bank of Japan policy meeting	Bank of Japan policy meeting

Written by Han Tan,
Market Analyst at FXTM

The Euro

Can the Euro stage a recovery in Q1 2020?

2019 was a dismal year for the Euro, as it posted an annual decline against most G10 and Asian currencies. EURUSD fell by 4.95% in the first three quarters of 2019, before paring losses in the final quarter.

Still, the pains of the past year could give way to a steady recovery for the single currency, considering the softer Dollar environment that's expected over the coming months. With EURUSD's major support zone raised to 1.10 since November, the pair's upward path could push it towards 1.13, provided the current momentum can stay the course.

US-China "phase one" deal could help EU breathe easier

From a fundamental perspective, Euro investors are only too aware of the economic costs to the region from heightened global trade tensions. As a prime example, Germany's manufacturing Purchasing Managers' Index (PMI) contracted every month in 2019, with the domestic economy flirting with a technical recession in the third quarter.

With this in mind, the "phase one" US-China trade deal should bring some respite to the EU economy. With US tariffs set to be halved on about $120 billion worth of Chinese goods, while further tariffs on a separate $160 billion worth of imports have been shelved, this reduces the risk of more economic pain for the EU.

EU members could still be embroiled in tariff tensions

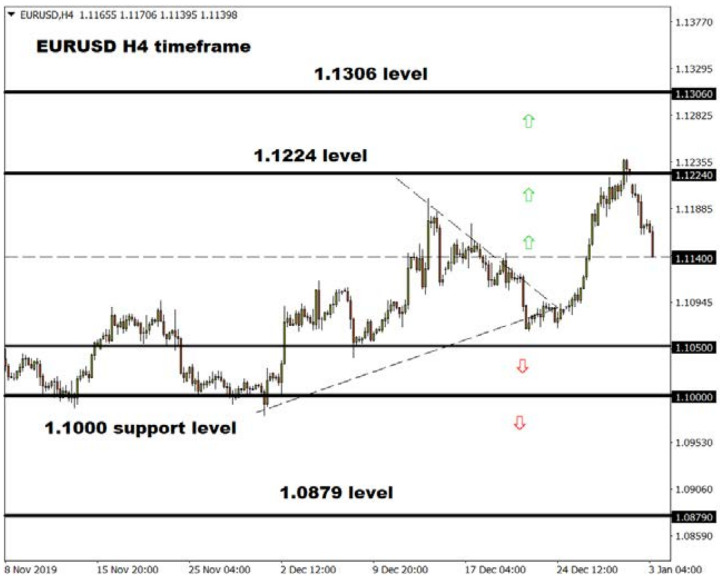
However, the EU is not yet out of the woods, as member countries could draw the ire of either the US or China in the coming months. US President Donald Trump said in November that he will decide "fairly soon" about whether

to impose tariffs on the European automobile sector. France also now finds itself in President Trump's tariff crosshairs, as he threatens to retaliate against France's digital tax that's set to hit US technology companies. Meanwhile, China has warned Germany of "consequences" should the latter ban Huawei from rolling out 5G services in its domestic market. If any of these threats materialize during the first quarter of next year, that would dim hopes of a meaningful economic recovery in the EU, and in turn dampen the Euro's upside.

> "EURUSD could test the 1.13 resistance level if the currency pair's upward momentum from Q4 can be sustained."

Daily timeframe

4-Hour timeframe



EURUSD could test 1.13 resistance level in Q1

From a technical perspective, EURUSD saw a golden cross in mid-December (its 50-day moving average moved above its 100-day moving average) which indicates the potential for a major rally. Barring any negative surprises, a break above 1.1224 for the pair could see EURUSD testing the 1.1306 level. The key question for sustained Euro upside will be if the EU economy can take advantage of the thawing in global trade tensions, which might allow the European Central Bank to step away from more stimulus measures. Any potential German fiscal stimulus would also be hugely positive.

However, should EURUSD break below the 1.10 support zone, the long-term cycle low at 1.0879 will come into sharp focus. The catalyst for EURUSD's push lower could come in the form of automobile tariffs or other punitive actions that reignite fears of heightened global trade tensions.

The Euro in a Nutshell:

EURUSD could test the 1.13 resistance level if the currency pair's upward momentum from Q4 can be sustained on solid evidence that the economy is recovering. Watch for signs of tensions between EU members and the US or China as downside risks.

"Watch for signs of tensions between EU members and the US or China as downside risks."

The Euro: Key Events in Q1 2020

January 23	March 12			
European Central Bank policy meeting	European Central Bank policy meeting	President Trump's threats to impose tariffs on French goods and EU autos	Germany to decide on whether to blacklist Huawei	EU and UK set to begin negotiating post-Brexit relationship

Written by Jameel Ahmad,
Global Head of Currency Strategy
& Market Research at FXTM

Gold

Gold set to remain range-bound, global growth the main driver

2019 was a stellar year for Gold investors and while the new year might not have the same explosive momentum that saw it gain nearly 20% at its peak earlier in 2019, another positive year for Gold prices is possible again. The precious metal at the time of writing remains 15% higher year-to-date despite a 5% drop since September, suggesting investors are still concerned over global growth as the new decade approaches.

Thaw in trade tensions boosts risk-on sentiment

The improved US-China trade relations outlook is one reason why we could see a near-term decline in Gold momentum. A narrow trading range between $1445 and $1500 has been in play since early November and further improvements in US-China trade relations, as well as a less pessimistic US Federal Reserve, could potentially encourage a decline in the precious metal through the lower part of the range. If there is a break below $1445, weakness towards $1400 for the first time since July 2019 is a possibility.

Although a phase one trade deal between US and China has been agreed and US Treasury Secretary Steven Mnuchin recently commented that it should be signed by early January, many trade issues remain and the agreement doesn't significantly change the subdued global growth outlook going into 2020.

Weak global growth encourages gold bugs

The OECD recently warned in November that world GDP for both 2019 and 2020 will be at the weakest levels seen since the global financial crisis. Even the succession of multiple record-highs in US stock markets do not seal over the cracks that are evident in the world economy. Moreover, the US-China trade dispute is protracted and ongoing with negotiations on the phase two deal yet to commence.

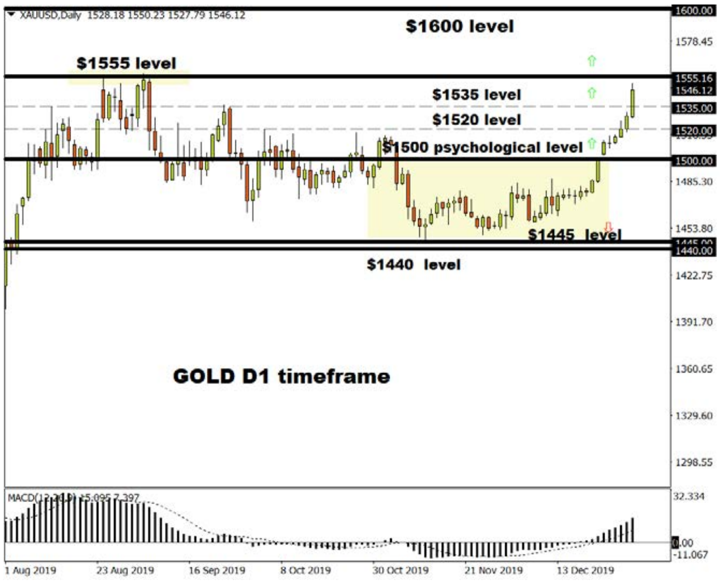
The Fed and Dollar outlook key for prices

Aside from prolonged US-China trade issues, there are other reasons to have a positive outlook on Gold.

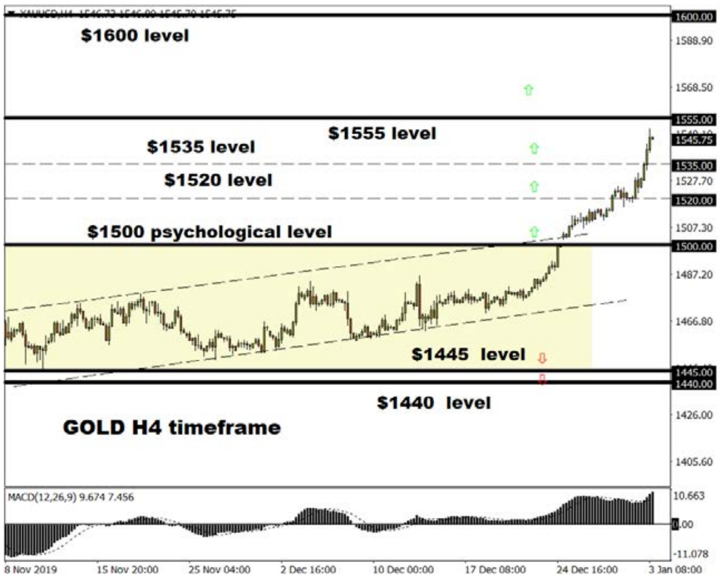
The limitations in what ammunition central banks have left in the tank to combat weaker economic conditions could prevent world stock markets from enjoying another stunning year. The current narrative provided by Fed Chair Jerome Powell that US interest rates will not increase

> “Investors are still concerned over global growth outlook, even with the succession of multi-record-highs in US stock markets.”

Daily timeframe



4-Hour timeframe



> "Gold could benefit from Dollar weakness as the Fed pauses interest rate hikes."

soon is another potential bonus for Gold prices, considering that this should make the Greenback less attractive and Gold historically increases in value in times of Dollar weakness.

Gold investors should also take into account geopolitical factors before the November US election countdown begins by focusing on relations between the United States and North Korea. The latter recently made headlines by testing long-range missiles and suggesting a 'Christmas gift' depending on the outcome of nuclear negotiations between Washington and Pyongyang.

Can Gold breakout of its current range?

The key psychological pivot level in gold prices will continue to be $1500, and potential buyers will likely wait for a confirmed move higher before being tempted into building long positions above this level. For as long as Gold stays below $1500, the range seen since November between $1500 and $1445 can continue.

In the event that Gold is able to successfully climb above $1500, more upside should be seen with resistance at $1520, $1535 and then the 2019 high at $1555 will be in sight.

A strong risk-averse environment due to an escalation in trade disputes could see Gold surpass $1555, with uncertainty and negative market headlines pushing the precious metal towards $1600 for the first time since 2013.

Gold in a Nutshell:

The outlook for Gold will be influenced by US-China trade developments, health of the global economy, Federal Reserve and Dollar. A strong risk averse environment could see Gold surpass $1555 in Q1. However, easing trade tensions should brighten the global economic outlook which may see the safe-haven metal decline back towards $1445 and possibly lower.

Written by Lukman Otunuga,
Senior Research Analyst at FXTM

Crude Oil

What goes up will eventually come back down for Crude Oil

The themes moving Oil prices in 2019 revolved around geopolitical tensions, the US-China trade war, oversupply fears and concerns over slowing global growth.

Despite all the conflicting forces, WTI Crude and Brent concluded the year on a positive note, gaining roughly 27% and 24% respectively. Deeper production cuts by OPEC in Q4, combined with a ‘phase one’ trade deal between the world’s two largest energy consumers have brightened the outlook for Oil in 2020. A renewed sense of optimism over the world economy bouncing back to life will certainly support ‘black gold’ moving forward. However, demand and supply side risks could still throw a proverbial ‘spanner in the works’ for bullish investors.

After the global economic storm, will there be sunshine?

Better than expected economic data from major economies should continue lifting fears over slowing world growth, ultimately boosting Oil prices.

Already, manufacturing surveys and reports on industrial production in the United States, China and India have started showing signs that the recent deceleration may be bottoming out. With over 40 central banks easing monetary policy in 2019, their efforts to revive growth may bear fruit next year as lower rates encourage consumption and investment across the globe. If there is truly economic sunshine in 2020 after prolonged periods of gloom before, this will provide a solid foundation for Oil to build on current gains.

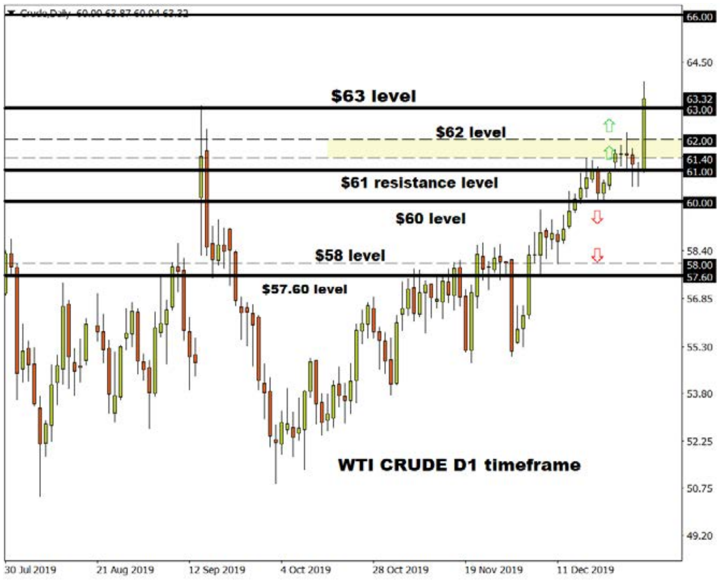
Oil markets are not out of the woods yet

While the outlook for crude looks rosy amid US-China trade optimism, the commodity is certainly not out of the woods.

It must be kept in mind that US Shale production remains robust with crude output reaching a record level of 12.9 million barrels per day. Fresh worries about excess supply may weaken Oil prices, especially if US Shale production continues to rise in 2020. On the demand side of the equation, growth in global demand in 2019 was the weakest in nearly a decade. The risk of rising supply and fears around falling demand could become themes that pressure Oil prices during the first quarter of 2020.

> “Trade optimism and cooling fears of slowing global growth could support Oil prices in 2020.”

Daily timeframe



4-Hour timeframe

WTI Oil knocks on $61 door but is anyone home?

WTI Crude has been marching higher from the October low on the daily timeframe, with consistent higher highs and higher lows. A strong daily close above the $61 resistance level should encourage a move towards $61.40 and $62 – levels not seen since September 2019.

While the outlook on the daily chart certainly points north, there is a strong resistance zone around $63.00 which may prove to be very stubborn. That said, more positive news on the trade front could result in prices pushing above $63 by the end of Q1 2020.

However, what goes up will eventually come down and this is no different for WTI Crude. Given how Oil prices remain highly sensitive to trade developments and global growth concerns, the downside potential must not be overlooked. Sustained weakness below $61 will invite a decline towards $60 and $58. If prices end up securing a monthly close below $57.60, then Oil could end the first quarter around $55.

WTI Oil in a Nutshell:

Oil should remain supported by trade optimism and cooling fears over slowing global growth in Q1. The commodity is seen testing $63 if the $61 resistance is conquered. However, rising US shale production, slowing demand growth and renewed trade tensions will weaken the commodity. Such developments could drag Oil back below $58 and lower by the end of Q1.

Crude Oil: Key Events in Q1 2020

January 15	February 12	March 5	March 11
OPEC Monthly Oil market report	OPEC Monthly Oil market report	Meeting of the OPEC Conference in Vienna	OPEC Monthly Oil market report

Written by Jameel Ahmad,
Global Head of Currency Strategy
& Market Research at FXTM

Amazon Stock

Can e-commerce giant Amazon make more advances next year?

From its humble beginnings as a bookseller to the renowned international technology giant that it is today, Amazon has weathered a global financial crisis and managed to briefly become only the second company to pass a market cap of $1 trillion, in 2018. There are however some near-term concerns suggesting that operating income might have peaked for now, highlighted by its announcement earlier in 2019 that it was ceasing its business in China where local competitors such as Alibaba and JD.com dominate.

Bullish analysts hope for more gains

Still, many remain optimistic on the stock including 45 analysts who have set a median target of $2180, with a high estimate of $2573 and a low estimate of $1850 over the next 12 months, as reported by CNN Business. Looking at the median estimate alone, this suggests that the stock price could potentially climb about 18% next year. Amazon traded between $1705 and $1901 from August to December, after breaching the psychologically-important $2000 level in July. Amazon's stock closed out the year at $1847.84, which represented an annual advance of 23%.

Investors are clearly still impressed by Amazon and the consensus above suggests its valuation will continue to grow. The share price has already climbed by over nearly 500% over the past five years, making the advances in both Apple (166%) and Facebook (163%) appear insignificant over the same period. In 2010, the share price of Amazon was around $180 and this figure climbed as high as $2050 in September 2018.

Product diversification helping growth

Amazon's ecosystem of different products on offer is seen as helping the firm manage the risks from slowing global growth. One of its venture successes, Amazon Web Services, has become a dominant player in the growing cloud computing sector but currently only contributes 13 percent of its revenue. Amazon is already a household name for shopping and fast deliveries, while its streaming service Amazon Prime looks set to get ahead of the curve against growing competition in the streaming space with further broadcasting of live sporting events, including the football English Premier League that carries with it a worldwide following.

> "Investors believe that Amazon's stock price could potentially climb 20% next year."

Daily timeframe

4-Hour timeframe

Investors await earnings update

The technical outlook shows that Amazon's share price has found fresh legs. Its 50-day moving average crossed above its 100-day moving average recently, after the stock broke past the upper limit of its sideways trend since August 2019. Amazon could claim more of its upside if the upcoming earnings deliver stellar results from the year-end shopping season, which the company has already identified as "record breaking".

Should Amazon break past $1950, the path back above $2000 could tempt investors to revisit 2019's highest closing price near $2020. A solid close above $2020 may encourage a move higher towards $2035.76 and potentially beyond its record high of $2039.51.

To the downside, the $1820 level is seen as the immediate support level, with stronger support set to arrive at the mid-$1700s.

Amazon in a Nutshell:

Investors appear to be taking a wait-and-see approach with Amazon, considering that its near-term operating income may have peaked after the company pulled the plug on its online marketplace in China. Still, Amazon's diverse offerings can help the tech titan mitigate the risk of slowing global growth.

"Amazon's diverse offerings could help in mitigating the risk of slowing global growth."

Amazon: Key Events in Q1 2020

January 30

Earnings release (estimated)

Written by Jameel Ahmad,
Global Head of Currency Strategy
& Market Research at FXTM

Walt Disney Stock

The force looks strong for the Walt Disney Company in 2020

The Disney story represents a fairy tale of its own that has captured the hearts of generations for close to a century. The Walt Disney Company has also enjoyed a 2019 full of achievements, from completing the acquisition of 21st Century Fox to the successful launch of its new streaming service, Disney+, and its stock value has benefitted, jumping 34% year-to-date as of December 18.

Full of attractions, old and new

Disney has a loyal following that has grown the brand as a household name for decades. This includes family-friendly and timeless content provided by Walt Disney Pictures, from Snow White to The Pirates of the Caribbean; blockbuster fantasy Marvel Group and the Star Wars franchise; Walt Disney theme parks and resorts - the list goes on. The recent acquisition of 21st Century Fox brings more well-known names in X-Men and Deadpool into a company group that has also acquired stakes in Hulu and ESPN.

There are a number of reasons to remain upbeat about Disney, starting with the successful launch of its streaming platform Disney+. There have been over 22 million downloads of its application a month since its launch and 10 million sign ups within one day following its November release, meaning that Disney+ is well on track to reach its 60-90 million global subscriber goal before 2024. And this is even before the product is fully launched into international markets.

Investors can also look positively at the fact that Disney has enjoyed a lifespan of almost 100 years and has survived each and every challenge that the world economy has faced since the 1920s. The entertainment legend has risen above economic downturns ranging from the aftermath of the Great Depression, to the global financial crisis in 2008 and everything in between.

If consumers are faced with questions over spending habits, the price point of Disney+ swings the hammer in its favour when considering that it is cheaper than its rival, Netflix. Disney+ costs $6.99 per month with the bundle including Hulu and ESPN+ available at $12.99 a month, compared to the Netflix standard subscription fee of $12.99.

> “Disney+’s price point gives it an edge over its competitors such as Netflix.”

Daily timeframe

4-Hour timeframe

Short term pain, long term gain

While Disney may still face some hurdles with higher operating income and the ongoing integration of Fox's entertainment assets which subsequently weigh on its revenue over the next two years, all eyes will be on the company's fiscal Q1 2020 earnings release scheduled in February. If positive guidance on subscriber numbers is provided in the upcoming earnings release, it could boost investor confidence that the potential worldwide popularity of Disney+ supports the view that its share price likely has further upside.

The current consensus among 25 investment analysts polled by CNN Business shows that 19 have a buy recommendation on the stock, with six expressing that it will outperform.

Technical picture suggests multiple support levels

The Disney share price is consolidating after a surge from $111 in April which pushed the stock all the way to its record-high above $150 in late November. While the uptrend still appears intact, there are several possible support levels seen at $135, $130 and $126 should investors decide to take profits on a star performer of the Dow Jones Industrial Average in 2019.

Disney in a Nutshell:

Despite hitting a record high in November, Disney's stock likely has more upside in the long term, given the tremendous potential that Disney+ has in adding to the entertainment giant's coffers. Investors contemplating Disney's upside can also be heartened by the company's content arsenal and storied brand status, as well as its decades-long track record in overcoming economic challenges.

Disney: Key Events in Q1 2020

February 4

Earnings release
(estimated)

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