

Silver in the spotlight

Silver prices surged to near eight-year highs after Reddit traders turned their focus from GameStop shares last week to silver (source Wall Street Journal). The 10% or more lift in silver futures contrasted with the modest lift in gold prices, which are up less than 1% overnight. Meanwhile, the focus in sharemarkets remains on the same Reddit retail trading frenzy, with steep gains recorded for the focussed heavily shorted stocks last week, including GameStop and AMC Entertainment. Shares in GameStop surged higher last week, even though US indices were down. It's been slightly more positive overnight, with the US sharemarket up over 1.5% (S&P 500) at the time of writing. A recovery in tech stocks has seen the NASDAQ lift over 2% at the time of writing.

US President Joe Biden has said the U.S. could reinstate sanctions on Myanmar if the country's military doesn't "immediately relinquish the power they have seized" in a coup, and release activists and officials (source Bloomberg). According to reports, State Counsellor (the equivalent position to prime minister) Aung San Suu Kyi has been detained under house arrest (Source AP).

Data wrap: The US ISM Manufacturing Index fell from its highest level in two years recorded in December (60.5), to 58.7 in January. The Prices component was strong, nearing 10-years high, but that was offset by weakness in the New Orders component, which dropped sharply. Still the overall index continues to point to expansion in the manufacturing sector, albeit at a slightly lower rate than the December reading suggested. China's official and Caixin manufacturing PMIs eased more than expected in January to 51.3 and 51.5, respectively (readings above 50 point to expansion in these surveys).

FX update: The RBA's meeting today is the key event in our time zone today. NZD/AUD is trading near 0.9380, and today's meeting is a focus for near-term direction. The USD is resilient near the top end of its three-week range, and that's leaving NZD/USD trading shy of 0.7200. Tomorrow's labour market data is the next significant local focus for NZD direction.

Day ahead: The latest Global Dairy Trade event takes place tonight. The NZX Whole Milk Powder forward curve remains relatively flat, with prices above \$3,300 per tonne. Accordingly, we expect prices to remain well supported at the event tonight.

Week ahead local: tomorrow the Q4 labour market report is due. We expect to see the unemployment rate to lift to 5.6%, from Q3's 5.3%. This is predicated on a small (0.1% qoq) rise in employment and a tick up in the labour force participation rate to 70.2% (from 70.1%). The government's wage subsidy was wound up in September/October, thus predictions initially abounded of a big rise in Q4 unemployment. But partial labour market data have tended to confirm the picture of steady-ish employment through the quarter, rather than any material declines. ANZ monthly business confidence surged in December, with indicators of economic activity comfortably back at pre-COVID levels. We hope to see this confidence sustained in the latest report due on Thursday.

Offshore this week: The RBA meeting today is the main event in Australia. We expect the RBA to make no policy or forward guidance changes. The focus will be on any signal around what the RBA plans do when the A\$100bn bond purchase programme expires in April. RBA Governor Philip Lowe speaks tomorrow, and again on Friday when the February Statement on Monetary Policy is due. Former US President Trump's Senate Trial starts on 9 February, but today Trump's initial response to the charge is expected. The ISM services index (Wednesday) and Non-farm Payrolls (Friday) for January are this week's US economic highlights. We estimate no new jobs were added to the US labour market in January because economic activity was constrained to control the virus. We expect the unemployment rate to print at 6.7% for the third consecutive month. We expect the Bank of England (BoE) to make no policy changes on Thursday. Eurozone Q4 GDP is tonight (mkt: -0.9% qoq), with the ECB projecting activity to have declined by 2.2% qoq because of tighter containment measures. **Author:** chris.tennent-brown@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7163	-0.1%	NZD/SEK	6.031	0.3%	NZX WMP	3365.0	0.1%	Dow	30203	0.7%
NZD/AUD	0.9383	-0.1%	NZD/DKK	4.414	0.4%	Gold \$/o	1859.9	0.7%	S&P 500	3777	1.6%
NZD/EUR	0.5935	-0.1%	NZD/THB	21.5	0.0%	WTI Oil \$/b	53.0	1.6%	NASDAQ	13377	2.4%
NZD/JPY	75.16	-0.1%	AUD/USD	0.7633	0.0%	Money Market (%)			FTSE	6466	0.9%
NZD/GBP	0.5238	-0.3%	EUR/USD	1.207	-0.5%	90 Day BB	0.29	-0.01	CAC-40	5462	1.2%
NZD/CAD	0.9189	-0.3%	USD/JPY	104.9	0.2%	OCR	0.25	0.00	DAX	13622	1.4%
NZD/CHF	0.6422	7.8%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	28893	2.2%
NZD/HKD	5.553	-0.1%	NZ	1.18	0.06	1yr	0.26	0.00	Nikkei	28091	1.5%
NZD/SGD	0.9545	0.2%	US	1.07	0.00	2yr	0.31	0.00	ASX200	6663	0.8%
NZD/CNH	4.640	0.4%	Aust	1.15	0.01	5yr	0.67	0.01	NZX50	13097	-0.2%

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