

## Sharemarkets weak on Friday amidst mixed data.

**In US economic data**, Non-farm Payrolls (employment) rose by 210,000 jobs in November, much weaker than expectations centred on a lift of 550,000. However, the unemployment rate fell from 4.6% to 4.2%, the lowest since February 2020 (survey: 4.5%). Factory orders lifted by 1% in October (survey: +0.5%). The ISM services index rose from 66.7 to a record 69.1 in November (survey: 65). The Markit services index fell from 58.7 to 58 in November (survey: 57).

**A holiday season US government shutdown has been avoided** after lawmakers agreed to extend government spending (or suspend the debt ceiling) until 18 February 2022.

**European sharemarkets** fell on Friday. The pan-European STOXX 600 index lost 0.6% to be down 0.3% for the week. Basic resources stocks dropped 2.5% on Friday as copper prices eased. The German Dax index also dipped 0.6%. And the UK FTSE index edged lower by 0.1% but was up 1.1% on the week.

**US sharemarkets** closed lower on Friday, dragged down by a sell-off in mega cap technology companies. Tesla shares sank 6.4% with Zoom Video shares 4.1% lower. Shares of Apple slid 1.2% on reports that phones of US State Department employees were hacked. DocuSign shares plunged 42.2% after a disappointing forecast. And Microsoft (-2%) was the biggest drag on the Dow Jones index, which closed 0.2% lower. The S&P 500 index fell by 0.8% and the Nasdaq index dropped 1.9%. Over the week, the Dow fell 0.9%, the S&P 500 lost 1.2% and the Nasdaq shed 2.6%.

**US treasury yields** tumbled on Friday on safe-haven demand as the disappointing November jobs report dampened risk sentiment. US 10-year yields fell by 10 points to 1.35%. And US 2-year yields dipped 2 points to 0.59%. For the week, US 10-year yields dropped 16 points but US 2-year yields rose by 10 points.

**The New Zealand sharemarket** rose 0.1% on Friday and 0.4% over the week, recovering from an initial dip as the Omicron news rattled markets at the start of the week ([read more](#)). NZ 10-year govt yields were down 3bps points on Friday, and down circa 12 basis points over the week.

**Oil prices** ended little changed on Friday. Earlier in the trading session, crude prices climbed more than US\$2 a barrel after OPEC+ said it could review its policy to hike output if demand weakened due to rising Covid-19 cases and lockdowns. Over the week the Brent crude price fell 3.9% to US\$69.88 a barrel.

**FX update:** Currencies were mostly lower against the US dollar in European and US trade. The NZD has dipped over 5% against the USD over the past month, to trade below 0.6800 against the USD at the start of this week, vs levels near 0.7200 in late Oct/early Nov.

**Day Ahead:** We expect Q3 NZ building activity (building work put in place) to fall 17%, due to the impact of the Alert Level 4 lockdown over the second half of the quarter. Underlying construction demand remains very strong, and we expect a strong bounce back in Q4. Anecdotally, a large amount of overtime is taking place in the construction sector to catch up from the lockdown, although materials are reportedly becoming scarce. There are no major data releases offshore.

**Week ahead local:** StatsNZ releases a range of business survey data on Thursday 9th of December, which are key inputs to the Q3 GDP estimates. This includes wholesale trade sales volumes, manufacturing sales volumes, the selected services survey data, and business financial data. Once we have transformed and analysed the data, we will update our final Q3 GDP estimate. We currently believe that Q3 GDP contracted 7% qoq, although to date the data has come in stronger than this - a very encouraging sign of the NZ's economy's resilience. On Friday we expect data to show a circa 15% monthly lift in November card spending that followed a 10% climb from weak September and August levels.


**Week ahead offshore.** On Tuesday the RBA Board holds its last meeting for the year. No policy changes are expected even as last week's Australian GDP print showed economic activity had held up better than expected over the lockdown period. The RBA had in its September meeting committed to purchasing bonds at a pace of \$A4bn/week until at least mid-February 2022 (We expect a tapering from \$A4bn/wk to \$A2bn/wk in February and for the program to end in May 2022). Chinese trade and inflation data are scheduled Tuesday and Thursday respectively. We expect a record high trade surplus and an acceleration in consumer inflation but for PPI inflation to ease from its current very high pace. We expect the bank of Canada (BoC) will keep its policy interest rates on hold at 0.25% on Thursday. The BoC ended its bond buying program at its October policy meeting and brought forward its guidance for the rate lift-off to 'the middle quarters of 2022'. The key release in the US is the November CPI print on Friday. We expect a further increase in inflation, underpinned by a continued rise in gasoline prices. **Author:** [chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6762	0.1%	NZD/SEK	6.171	0.1%	NZX WMP	4225.0	0.0%	Dow	34580	-0.2%
NZD/AUD	0.9649	0.1%	NZD/DKK	4.442	0.1%	Gold \$/o	1783.3	0.8%	S&P 500	4538	-0.8%
NZD/EUR	0.5965	0.1%	NZD/THB	22.8	-0.1%	WTI Oil \$/b	66.3	-0.4%	NASDAQ	15085	-1.9%
NZD/JPY	76.26	0.1%	AUD/USD	0.7007	0.0%	<b>Money Market (%)</b>			FTSE	7122	-0.1%
NZD/GBP	0.5105	0.1%	EUR/USD	1.132	0.0%	90 Day BB	0.87	0.01	CAC-40	6766	-0.4%
NZD/CAD	0.8674	-1.4%	USD/JPY	112.8	0.1%	OCR	0.75	0.00	DAX	15170	-0.6%
NZD/CHF	0.6198	0.0%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	23767	-0.1%
NZD/HKD	5.259	-0.2%	NZ	2.39	-0.03	1yr	1.65	-0.06	Nikkei	28030	1.0%
NZD/SGD	0.9258	0.0%	US	1.34	-0.10	2yr	2.25	-0.05	ASX200	7241	0.2%
NZD/CNH	4.310	0.1%	Aust	1.62	-0.07	5yr	2.56	-0.09	NZX50	12677	0.0%

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