

US share indices set fresh record highs

In US economic data, Non-farm Payrolls (employment) rose by 531,000 in October (stronger than expectations centred on a 450,000 lift). The jobless rate fell from 4.8% to 4.6% (also slightly better than expectations centred on a 4.7% rate). Average hourly earnings or wages rose by 0.4% as expected.

Key US share indexes finished at record highs on Friday with energy and industrials driving gains. The strong employment data boosted sentiment, and shares in Pfizer rose by 10.9% on news of its successful trial of a pill to treat COVID-19. The Dow Jones index rose 0.6%, the S&P 500 index gained 0.4%, and the Nasdaq index rose by 0.2%. Over the week the Dow rose by 1.4%; the S&P 500 index rose by 2%; the Nasdaq rose 3.1%.

US long-term Treasury yields fell on Friday, with 10-year yields down by 7 points to near 1.45%. US 2-year yields fell by 1 point to near 0.40%. On the week US 10-year yields fell by 18 points, while the US 2-year yields fell by 5 points.

European sharemarkets were firmer on Friday. Travel stocks rose 1.4% on news that Pfizer had concluded a successful trial of a pill to treat COVID-19. The pan-European STOXX 600 index rose by 0.1% to record highs. The German Dax index rose by 0.2% to record highs. The UK FTSE index rose by 0.3%. **The NZ sharemarket** rose 1% on Friday but was down 0.2% over the week and remains over 3.5% off its record high. Meanwhile, long-term government bond yields retreated Friday, with the 10-year bond yield down 4bps.

FX comment: Major currencies were firmer against the US dollar in European and US trade on Friday. The NZD continues to trade within recent ranges, starting the week just about 0.7100 against the USD, and 0.9600 against the AUD.

Global oil prices rose by near 3% as OPEC+ oil producers rebuffed a US call to lift output. The Brent crude price rose by US\$2.20 or 2.7% to US\$82.74 a barrel. However, over the week Brent crude fell by US\$1.64 or 1.9%.

Day Ahead: There are no major data releases today in NZ, but tonight several central bankers from the ECB and FOMC speak, including Fed Chair Powell. In the US, data on consumer inflation expectations will be released.

Week ahead local: On Tuesday we expect data to show a circa 10% monthly lift in October **card spending** that followed a flat September month and sharp August falls. MBIE card spending for the 4 weeks to the end of October showed a 7% climb, while ASB's internal card spending card showing an approximate 15% October gain. We expect the Stats NZ card data to show a jump in hospitality, apparel, fuel, and non-retail spending after a soft couple of months. Easing restrictions for Auckland in November and the earlier relaxation in parts of the Waikato should drive a pick-up in retail spending towards the end of the year, with strong household balance sheets, high producer returns and the tight labour market key supports. A milder than usual October seasonal fall is expected for **food prices** (data due on Thursday), with lower prices for fruit & vegetable driving prices pushing overall prices down 0.7%. Annual food price inflation is set to climb towards 4% and remain elevated given high global food commodity prices, and issues with logistics and freight. ANZ releases its preliminary results for its November Business Outlook survey on Thursday. Business sentiment and activity expectations have remained surprisingly resilient through the current outbreak. **Week ahead offshore:** Thursday is a busy day for data offshore, with a focus on US inflation data for October (Thursday morning NZT). We will be closely watching the trimmed CPI: another acceleration will reinforce our view that the FOMC is behind the curve. Then across the Tasman we expect a lift in Australian employment in October as lockdown states started to reopen, leading to the start of a rehiring phases. We expect a 50k lift in nationwide employment. With the end of lockdown we also anticipate a lift in the participation rate as people re-enter the labour force after being stood down. Inflation data are also released in China on Thursday. Then overnight Q3 21 GDP is released in the UK. **Author:** chris.tennent-brown@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7109	-0.2%	NZD/SEK	6.095	-0.2%	NZX WMP	4000.0	0.0%	Dow	36328	0.6%
NZD/AUD	0.9609	-0.2%	NZD/DKK	4.575	-0.1%	Gold \$/o	1818.4	1.5%	S&P 500	4698	0.4%
NZD/EUR	0.6154	-0.1%	NZD/THB	23.6	-0.1%	WTI Oil \$/b	81.3	3.1%	NASDAQ	15972	0.2%
NZD/JPY	80.66	0.0%	AUD/USD	0.7399	0.0%	Money Market (%)			FTSE	7304	0.3%
NZD/GBP	0.5277	0.0%	EUR/USD	1.156	-0.1%	90 Day BB	0.80	0.00	CAC-40	7041	0.8%
NZD/CAD	0.8868	0.8%	USD/JPY	113.4	0.0%	OCR	0.50	0.00	DAX	16054	0.2%
NZD/CHF	0.6494	0.0%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	24871	-1.4%
NZD/HKD	5.539	0.0%	NZ	2.57	-0.04	1yr	1.57	0.00	Nikkei	29612	-0.6%
NZD/SGD	0.9611	0.0%	US	1.45	-0.07	2yr	2.20	-0.01	ASX200	7457	0.4%
NZD/CNH	4.552	-0.1%	Aust	1.82	-0.02	5yr	2.60	0.03	NZX50	13075	0.0%

ASB Economics & Research			Phone	Fax
Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659	(649) 302 0992
Senior Economist	Mark Smith	mark.smith4@asb.co.nz	(649) 301 5657	
Senior Economist	Mike Jones	mike.jones@asb.co.nz	(649) 301 5661	
Senior Economist	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853	
Senior Economist, Wealth Economist	Chris Tennent-Brown Nat Keall	chris.tennent-brown@asb.co.nz nathaniel.keall@asb.co.nz	(649) 301 5915 (649) 301 5720	



<https://reports.asb.co.nz/index.html>



[@ASBMarkets](https://twitter.com/ASBMarkets)

ASB Economics
ASB North Wharf, 12 Jellicoe Street, Auckland

Important Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.