

## Deadlines, deadlines

**The global COVID vaccine rollout has begun in earnest, with the first vaccinations commencing in the UK.** A 90-year old Northern Irish woman living in England has become the first person in the world to receive the Pfizer vaccine. 400,000 Brits are scheduled to be part of the first batch of vaccinations. Other countries are also gearing up to follow suit on their own vaccine programmes. In the US, the Food and Drug Administration could approve the Pfizer vaccine as early as this week, with the organisation releasing analysis overnight that seemed to hint it was supportive.

**US lawmakers are set to pass a stopgap government funding bill, delaying the deadline for a broader spending package.** Republican Senate Leader Mitch McConnell has yet to endorse a proposed \$908bn compromise package but was heading to the White House to discuss the deal as at the time of writing. A number of support measures will expire at the end of the year if a new agreement can't be reached, but lawmakers will go on holiday recess soon.

**The S&P500 has hit a record high, as US equities advanced a little overnight.** Markets have been weighing up a near-term rise in COVID cases with the positive vaccine news and ongoing tentative expectations of a US fiscal stimulus deal. The net effect saw the major indices make modest gains, with the Dow up 0.42%, the S&P500 rising 0.27% and the Nasdaq advancing 0.41% as at the time of writing.

**Brexit talks appear to be deadlocked with only days left to run.** Speaking yesterday, the UK Prime Minister Boris Johnson said that securing an agreement was looking 'very, very difficult.' Following Johnson's comments, the EU's chief Brexit negotiator also chipped in, saying he believed a 'no deal' outcome was the most likely outcome. Though progress has been made on the Northern Ireland border regime, a host of obstacles remain on a number of issues, including competition policy, UK compliance with EU law, and fishing rights. Johnson will meet the EU Commission President Ursula von der Leyen in Brussels in a bid to break the deadlock. If the two sides can't reach an agreement by Friday NZT, there is a real risk of a no deal outcome that could see tariffs return and mean lengthy delays at ports.

**It was a quiet session trading in Europe as markets waited on the outcome of the Brexit talks.** Major share markets were mixed, with the FTSE managing a small 0.05% lift as at the time of writing, but the pan-European Stoxx index was down 0.12%. **Bond yields edged down across the board.** Elsewhere in Europe, Eurozone GDP growth has been revised down a little for Q3 in the Eurozone (to +12.5%).

**Markets closer to home were mixed yesterday, but the NZX is enjoying a good run.** Most equity indices in the Asia-Pacific were lower, but the ASX and NZX each managed small lifts (0.19% and 0.49% respectively). The New Zealand market was supported by strong performances for the big electricity companies Mercury and Meridian. In fact, NZ equity indices aren't too far off record highs. There was little in the way of major domestic data out, though Q3 house price data in Aussie showed an unexpected lift (actual: +0.8% vs survey: -1.7%).

**The RBNZ has provided a bit more clarity on its plans for the re-imposition of LVRs next year.** In an announcement yesterday the bank formally proposed re-imposing restrictions from 1<sup>st</sup> March 2020. The RBNZ is proposing LVRs return to their former levels, with banks required to set limits of no more than 20% of new lending to owner-occupiers with a <20% deposit, and no more than 5% of new lending to investors with a <30% deposit. The RBNZ says it doesn't expect the restrictions to have much of an impact on house price growth. **There's no word yet on whether debt-to-income requirements could be added to the RBNZ's policy toolkit.** In other RBNZ news, **there's been no take up by banks on the Funding-for-Lending programme just yet.**

**FX Comment:** The key theme in currency markets over the past couple of days has been sterling's rollercoaster ride, as traders have reacted to the litany of positive and negative Brexit headlines, and it was another choppy session overnight. The tentatively positive mood supported the NZD, and it was up or tracking sideways against almost all its G10 peers. At the time of writing, it was sitting at around 0.7047 against the USD, and around 0.9507 against the AUD.

**Day Ahead:** Political developments will continue to dominate headlines as US stimulus and Brexit talks roll on. On the data front, the main NZ release is the Q3 Economic Survey of Manufacturing, which is an important input into our GDP forecast – we expect it to indicate a solid rebound after the sharp fall in Q2. In Australia, the Westpac Consumer Confidence Index is out. There is a bit of central bank action too, with the Bank of Canada rate decision overnight – it's expected to leave its policy rate unchanged **Author:** [nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7046	0.1%	NZD/SEK	5.969	1.0%	NZX WMP	3240.0	0.0%	Dow	30185	0.4%
NZD/AUD	0.9507	0.2%	NZD/DKK	4.332	0.1%	Gold \$/o	1871.7	0.5%	S&P 500	3703	0.3%
NZD/EUR	0.5820	0.2%	NZD/THB	21.2	-0.4%	WTI Oil \$/b	45.7	-0.2%	NASDAQ	12575	0.4%
NZD/JPY	73.39	0.2%	AUD/USD	0.7412	-0.2%	<b>Money Market (%)</b>			FTSE	6559	0.1%
NZD/GBP	0.5272	0.2%	EUR/USD	1.211	0.0%	90 Day BB	0.27	0.00	CAC-40	5561	-0.2%
NZD/CAD	0.9031	0.2%	USD/JPY	104.2	0.1%	OCR	0.25	0.00	DAX	13278	0.1%
NZD/CHF	0.6264	5.2%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	26305	-0.8%
NZD/HKD	5.462	0.1%	NZ	0.93	-0.02	1yr	0.25	0.01	Nikkei	26467	-0.3%
NZD/SGD	0.9429	0.2%	US	0.91	-0.01	2yr	0.26	0.01	ASX200	6688	0.2%
NZD/CNH	4.592	0.1%	Aust	1.03	-0.01	5yr	0.46	-0.02	NZX50	12720	0.5%

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