Daily Alert
New Zealand Edition

13 January 2021

ASB

Markets watching and waiting for further stimulus news

Sharemarkets were mixed overnight as investors maintained a slightly cautious tone. After plenty of fluctuation, the Nasdaq (+0.23%), S&P500 (+0.04) and Dow Jones (+0.15%) are up as of the time of writing. With rising COVID cases, the chaotic US presidential transition and some soggy job vacancy data, there's plenty to concern Wall Street, but the tone right now is one of caution rather than outright doom and gloom, and there is the prospect of further stimulus in the US on the way. In Europe, equities fell right across the board.

Treasury yields lifted again overnight as markets continued to expect further economic stimulus in the US, with the tenors on some yields exceeding 10-month highs. As at the time of writing, the 10-year yield has lifted to around 1.15%, whilst the 30-year yield has risen to around 1.89%. In comments last week, President-elect Biden struck a bullish tone, calling for new spending "in the trillions of dollars." There has been speculation that the debate over the impeachment of President Trump could derail the Biden administration's economic agenda, but Democrats are touting a 'half-and-half' plan that could see 50% of Congress' time devoted to policy, and the other 50% to any trial.

On the COVID front, it's still a bit of a race against time as countries seek to ramp up their vaccination programmes, as outbreaks rage. Having broken records for new cases and deaths over recent days, the US passed a positive milestone, surpassing 1.25 million daily doses administered for the first time. Still, there is a long way to go for most of the world with only a couple of small, centralised, countries – Israel and the United Arab Emirates – into the double digits for proportion of the population vaccinated.

There were a couple of Central Bank comments overnight, with the Fed's Raphael Bostic sounding cautiously optimistic, and the BoE's Andrew Bailey sounding gloomier. Bostic, the President of the Atlanta Fed, hinted rate hikes could be possible in 2022 and said there was "some possibility the economy could come back a bit stronger than some are expecting but cautioned that a lot would have to go right for that to transpire. Meanwhile, the BoE Governor Bailey warned the UK economy was facing a "a very difficult period" as England remains in a third national lockdown.

Bitcoin's roller-coaster ride has continued overnight, though the cryptocurrency has recovered some ground after its steep falls at the beginning of the week. The cryptocurrency is currently back above USD$35,000 after falling below the USD$30,000 mark earlier in the week. Analysts are speculating the churn might have been caused by a single large investor exiting their position. **The NZ FMA sitting up and taking notice.** The regulator echoed comments by the UK Financial Conduct Authority, advising Kiwis that the currency is 'highly volatile' and it explicitly stated that customers should be "prepared to lose all their money."

Oil has also regained a bit of ground after taking a dip earlier in the week. Brent crude prices have ticked up towards USD$56.55 a barrel – at 11-month highs – as investors hold onto hopes that there could be a sizable upswing in economic activity once the global vaccine rollout is well underway.

Sentiment was mixed in the Asia-Pacific yesterday. There wasn't much of a pattern evident in the major equity indices over the day, with shares lifting in China, tracking sideways in Japan and dipping here in Oceania. The Chinese share market actually closed at a 13-year high, despite the imposition of new COVID restrictions near Beijing. Domestically, the NZX dropped for a second consecutive day (-0.80%), with energy shares leading the falls.

FX: The USD edged lower against most of its peers overnight. The NZD/USD is around the 0.7159 mark as of the time of writing, whilst the NZD/AUD has also eased slightly to around 0.9288. There was a bit of a lift in the GBP amid comments from the BoE Governor that suggested the bank is still reluctant to take interest rates negative.

Day ahead: The first domestic data release of the year is on the cards, with the December REINZ home sales data imminent. Other than that, it's a quiet day on the data front ahead of the US CPI release for December overnight (mkt: +0.4% mom). Expect political events to remain very much in the driver's seat as inauguration day approaches in the US and discussions around further stimulus continue. **Author:** nathaniel.keall@asb.co.nz

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	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5915	
Economist	Nat Keall	nathaniel.keall@asb.co.nz	(649) 301 5720	
Publication and Data Manager	Judith Pinto	judith.pinto@asb.co.nz	(649) 301 5660	

https://reports.asb.co.nz/index.html
@ASBMarkets

ASB Economics
ASB North Wharf, 12 Jellicoe Street, Auckland