

US inflation rate is the highest since 1982

Data wrap: US consumer prices lifted 0.8% in November to be up 6.8% on the year (survey: +6.8%) – the highest result since June 1982. The core measure (ex-food and energy) rose 0.5% to be up 4.9% on the year (survey: +4.9%) – the most since 1991. The University of Michigan consumer sentiment index lifted from 67.4 to 70.4 in December (survey: 68). The UK economy (GDP) grew just 0.1% in October (survey: +0.4%).

European sharemarkets ended lower on Friday. The pan-European STOXX 600 index fell by 0.3% with retail stocks down 1.4%. But the index was up 2.8% over the week, the most since March. The German Dax index lost 0.1% and the UK FTSE index slid 0.4% on Friday.

US sharemarkets advanced on Friday. Shares of software company Oracle jumped 15.6% on upbeat quarterly results. And chipmaker Broadcom's shares gained 8.3% following the announcement of a US\$10 billion share buyback plan. The Dow Jones index rose 0.6%. The S&P 500 index lifted by 1% to an all-time closing high and the Nasdaq index was up 0.7%. For the week, the Dow jumped 4%, the most since March. The S&P 500 lifted 3.8%, while the Nasdaq was up 3.6% – both lifting by the most since February.

Longer-dated US Treasury yields were little changed on Friday after the November US inflation reading was largely in-line with expectations. US 10-year yields fell by 1 point to 1.49%. For the week, US 10-year yields jumped 13 points.

The S&P/NZX 50 sharemarket index lifted 0.6% on Friday, while the NZ 10-year government bond yield was down 2bpts.

Global oil prices lifted 1% on Friday with sentiment buoyed by easing concerns over the Omicron virus variant's impact on global economic growth and fuel demand. Brent crude rose by 1% on Friday and 7.5% over the week to US\$75.15 a barrel.

FX comment: Major currencies were firmer against the US dollar in European and US trade on Friday. The NZD starts the week just above 0.6800 against the USD and just below 0.9500 against the AUD. There are plenty of NZD moving events this week, with Thursday a key focus with the FOMC meeting and local GDP data both influential.

Day Ahead: No major data are scheduled for today. **Week ahead local:** The week's highlight is the NZ Q3 GDP print on Thursday. We expect a 3.3% contraction due to the Delta community outbreak and restrictions. Data over recent weeks have been consistently stronger than expected and point to a much smaller contraction than experienced in the previous lockdown. The Half-Year Economic and Fiscal Update is released Wednesday, and we expect the updated fiscal forecasts by the Treasury to show a narrowing profile of fiscal deficits beyond 2021/22 and the potential return to surplus. The ANZ Business Outlook Survey's full results for December are released on Friday 17th December (there was no preliminary release this month). **Week ahead offshore:** The key data release in Australia this week is the November labour force survey (Thursday). This marks the first official read on the pulse of the labour market after lockdowns and stay-at-home orders in NSW, Victoria and the ACT were lifted. We expect the survey to show a massive 250k gain in employment in November, and the unemployment rate falling to 4.7%. The RBA Governor will also deliver a keynote speech on Thursday. Australia's 2021/22 Mid-Year Economic and Fiscal Outlook (MYEFO) is also scheduled on Thursday. UK CPI inflation data are due Wednesday, and the Bank of England's latest monetary policy announcement is on Thursday. The money market has slashed the probability of a 15bps BoE December policy rate hike because of the potential for a negative growth shock from Omicron. Our base case remains for the BoE to begin normalising the policy rate in February 2022. We expect the FOMC to leave the Fed Funds rate unchanged at its announcement on Thursday morning NZT. However, following Chair Powell's hawkish pivot recently, we expect the FOMC will announce a faster taper of \$US25bn per month from January. That would be consistent with the FOMC's tapering ending in April 2022. **Author:** chris.tennent-brown@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6801	0.1%	NZD/SEK	6.162	0.2%	NZX WMP	4225.0	0.0%	Dow	35971	0.6%
NZD/AUD	0.9496	0.2%	NZD/DKK	4.471	0.1%	Gold \$/o	1782.8	0.4%	S&P 500	4712	1.0%
NZD/EUR	0.6006	0.0%	NZD/THB	22.8	0.1%	WTI Oil \$/b	71.7	1.0%	NASDAQ	15631	0.7%
NZD/JPY	77.16	0.1%	AUD/USD	0.7163	-0.1%	Money Market (%)			FTSE	7292	-0.4%
NZD/GBP	0.5130	0.1%	EUR/USD	1.131	0.0%	90 Day BB	0.89	-0.01	CAC-40	6992	-0.2%
NZD/CAD	0.8652	-1.7%	USD/JPY	113.5	0.0%	OCR	0.75	0.00	DAX	15623	-0.1%
NZD/CHF	0.6289	0.5%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	23996	-1.1%
NZD/HKD	5.300	0.0%	NZ	2.47	-0.02	1yr	1.69	0.01	Nikkei	28438	-1.0%
NZD/SGD	0.9266	0.0%	US	1.48	-0.02	2yr	2.23	0.00	ASX200	7354	-0.4%
NZD/CNH	4.335	0.1%	Aust	1.64	-0.04	5yr	2.53	0.00	NZX50	12850	0.6%

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