

A case of the Mondays

Having finished last week on a high, market sentiment has suffered a case of the Monday's (hat tip to *Office Space*). There's no obvious single catalyst. The Omicron situation in the UK appears to be worsening (see below), but the moves could just as likely reflect investors taking some risk off the table ahead of a packed schedule of event risk, including central bank meetings from all of the big four (Federal Reserve, ECB, BoE, BoJ).

Global equity indices have back-pedalled off Friday's record highs. A 0.4% decline in the Euro Stoxx 50 has given way to falls closer to 1% in the US, with big tech underperforming (NASDAQ -1.2%). Commodity prices have been caught up in the risk-off mood (Brent oil -0.6%) and bond yields are mostly higher thanks to the associated safe-haven inflows. The US Treasury curve flattened with the 10-year yield down a decent 8bps to 1.42%. Wholesale interest rates in NZ should open up under downward pressure as a result.

UK PM Johnson announced the first UK death from the Omicron variant overnight, and refused to rule out imposing additional restrictions before Christmas to try and control its spread. The Omicron variant is widely expected to this week overtake Delta in accounting for the majority of UK COVID cases. PM Johnson also announced an accelerated vaccine booster programme to help control the new variant, something that authorities in NZ are looking at too. Pfizer has indicated that the time between the 2nd dose and booster shot can be reduced to three months.

November REINZ housing data confirmed momentum in the housing market has turned. National house price growth cooled to 1.3% for the November month (s.a., REINZ HPI). That was even with strong showings from Auckland (+2.2%), Waikato (1.7%), and Northland (+2.7%) thanks to the less-restrictive alert settings in those regions. This meant that annual house price inflation throttled back to 27%, having held at a record 30% for six straight months.

More important was the fact that house sales are now starting to fall behind listings. This normalising in excess demand allows us to be a little more confident that we'll see a [sustained cooling in house price inflation](#) next year as higher mortgage rates make an impact.

FX market update: Safe-haven currencies were back en vogue overnight reflecting the more defensive markets backdrop. The JPY, CHF, and USD outperformed at the expense of the commodity currencies (AUD, NZD, and CAD). The NZD/USD shed just under ½ cent to trade at the bottom end of its recent 0.6750-0.6850 range. The 0.6730 NZD/USD support level has been tested four times and held so a breakdown below this level would be significant and likely amplify NZD selling.

Day Ahead: Just small fry stuff that's unlikely to trouble investors awaiting the big central bank meetings later in the week. NZ has November food price data while there's a NAB business confidence update in Australia (an increase seems likely). There's little out tonight to trouble the scorers either. UK unemployment is expected to tick down from 4.3% to 4.2%, an outcome that would further the case for the Old Lady of Threadneedle to get cracking on rate hikes.

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Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6757	-0.7%	NZD/SEK	6.143	-0.3%	NZX WMP	4225.0	NA	Dow	35695	-0.8%
NZD/AUD	0.9477	-0.2%	NZD/DKK	4.449	-0.5%	Gold \$/o	1786.9	0.2%	S&P 500	4679	-0.7%
NZD/EUR	0.5983	-0.5%	NZD/THB	22.6	-1.0%	WTI Oil \$/b	71.3	-0.5%	NASDAQ	15466	-1.0%
NZD/JPY	76.68	-0.5%	AUD/USD	0.7131	-0.5%	Money Market (%)			FTSE	7231	-0.8%
NZD/GBP	0.5114	-0.4%	EUR/USD	1.129	-0.1%	90 Day BB	0.89	-0.01	CAC-40	6943	-0.7%
NZD/CAD	0.8647	-0.1%	USD/JPY	113.5	0.1%	OCR	0.75	0.00	DAX	15622	0.0%
NZD/CHF	0.6230	-0.7%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	23955	-0.2%
NZD/HKD	5.272	NA	NZ	2.43	-0.03	1yr	1.70	0.02	Nikkei	28640	0.7%
NZD/SGD	0.9243	-0.3%	US	1.43	-0.06	2yr	2.22	-0.01	ASX200	7379	0.4%
NZD/CNH	4.308	-0.5%	Aust	1.61	-0.03	5yr	2.53	-0.01	NZX50	12994	0.0%

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