# Weekly Money Market Report
10 January 2021

## Risk-On Mode Fueled by Democrats Control Over Congress

>NBK Treasury
+965 22216603
tsd_list@nbk.com

Highlights

- **Democrats take control of the House , Senate and the White House**
- **US jobs take a sharp decline with 140,000 jobs lost in December**
- **Treasury yields rallied as Democrats are able to push for a larger stimulus with control over the Senate**
- **Oil prices reached above $55 and are at pre-pandemic levels as OPEC+ meeting ends with agreement and an a voluntary cut by Saudi Arabia**

## United States

### Democrats Take Control of The Executive and Legislative Branches

Democrats will now have control of the House, Senate, and White House for the first time in 10 years. Expectations are for Biden to push through with larger stimulus packages and fund spending by raising taxes. Broadly speaking, a Democrat-controlled Senate has historically proven to be positive for risk assets, while negative for bonds and the USD. All major US equity indices are in the green and have positive YTD gains.

The greenback is trading near a 3-year low as the euro and sterling maintained a bullish stance. Meanwhile, a bond sell-off pushed the yield on benchmark 10-year US Treasuries over 1% for the first time in 10 months. The spread between 5-year notes and 30-year bonds hit its widest level since November 2016 at 135.4 basis points. Yields also got a lift on stronger-than-expected data that showed US manufacturing activity rose in December to its highest level since August 2018. The Institute for Supply Management said its index of national factory activity rebounded to a reading of 60.7 last month, up from 57.5 in November.

### US Capitol Building

President Donald Trump, in a video message on Thursday night, condemned the storming of the US Capitol which occurred after he urged his angry supporters to take action and said he would prepare for the administration of President-elect Joe Biden. The video followed a wave of resignations from his administration and calls from top congressional Democrats, former White House aides, business leaders, and even the editorial page of the Wall Street Journal for Trump's removal from office over his role in inciting the insurrection. Members of Congress have also discussed impeachment.

### US Labor Market Disappoints

The US economy suffered its first job loss since April as states imposed restrictions amid rising COVID-19 cases. Non-farm payrolls declined by 140,000 in December, yet economists were expecting an increase of 50,000 jobs for the same month. Equity markets in the US retreated following the release of the gloomy job report and the showing a sharp slowdown in US hiring.

## Europe & UK

### UK Manufacturing PMI and Vaccine Rollout

UK manufacturing sector activity improved to 57.5 in December, reaching a 37-month high. The figure reflects a temporary boost in purchases towards the end of the Brexit transition period, likely to reverse in the beginning of 2021. Meanwhile, Boris Johnson has announced a total lockdown across the country as record high virus infections are reported. Nevertheless, overall risk appetite has improved as illustrated by the GBP/USD pair breaking the 1.37 level for the first time since 2018 with a clearer bath on Brexit scenario and vaccine rollouts globally.

PM Johnson maintained that the government was on track to reach its goal of vaccinating nearly 13 million people by mid-February. With 1.5 million vaccinated now that means that in a little less than 6 weeks, the government will need to vaccinate 11.5 million. This is going to require roughly 300k vaccines per day from last Thursday. To put that in context, since the first vaccination in the UK on 8th Dec, the daily average vaccination rate is 50k. Based on recent days of what has been verbally confirmed by the government the rate is approaching 100k per day.

## Commodities

### Oil Prices

OPEC+ agreed to lift oil production by 75,000 barrels per day over January levels in their latest meeting. However, Saudi Arabia pledged additional, voluntary oil output cuts of one million barrels per day in February and March as part of a deal under which most OPEC+ producers will hold production steady in the face of new coronavirus lockdowns. Energy Minister Prince Abdulaziz bin Salman said Saudi is going beyond its promised cuts as part of the OPEC+ to support both its own economy and the oil market. Oil prices rallied almost 6% since the decision. Brent crude reached above $55 per barrel for the first time since February 2020 and is showing steady signs of recovery to pre-pandemic levels.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30305.

## Rates – 10th January, 2021

| | Previous Week Levels | | | | This Week's Expected Range | | 3-Month |
|---|---|---|---|---|---|---|---|
| Currencies | Open | Low | High | Close | Minimum | Maximum | Forward |
| EUR | 1.2225 | 1.2193 | 1.2349 | 1.2218 | 1.2100 | 1.2375 | 1.2252 |
| GBP | 1.3603 | 1.3533 | 1.3704 | 1.3568 | 1.3400 | 1.3600 | 1.3610 |
| JPY | 103.19 | 102.59 | 104.09 | 103.995 | 102.00 | 106.00 | 103.70 |
| CHF | 0.8828 | 0.8757 | 0.8884 | 0.8853 | 0.8800 | 0.9050 | 0.8830 |