

# Weekly Money Market Report

29 November 2020



## Dollar Falls Amid Hopes For A Smooth Presidential Transition

>NBK Treasury  
+965 22216603  
tsd\_list@nbk.com

### Highlights

- Donald Trump promised to leave the White house if and when president-elect Joe Biden is confirmed as president.
- Fed officials discussed ways it can start signaling potential future changes in its bond-buying policy.
- Consumer confidence in the US fell to a 3-month low.
- The number of Americans filing first-time claims for jobless benefits increased.
- Europe's manufacturing and services activities saw rapid expansion in November.

## United States

### Trump Hints on Concession

In a speech to US troops on Thursday, Donald Trump promised to leave the White house if and when president-elect Joe Biden is confirmed as president. This is the closest he has come to conceding defeat in this month's presidential election, and comes after he began the process for handing over control to a Biden administration. Earlier in the week, Trump recommended that the General Services Administration, whose role is to provide resources to an incoming president's transition team, to start doing so. He also publicly contemplated having to leave office for the first time, referring to "the Biden administration" on one of his remarks.

Even as he allowed his administration officials to cooperate with Biden's team, Trump still refused to concede the election. He kept tweeting claims about electoral fraud. When he was asked on Thursday on what he would do if the Electoral College confirmed Biden as president on December 14, Trump said "It's going to be a very hard thing to concede. If they do they made a mistake." When pressed on whether he would leave the White House, he added "Certainly I will, and you know that."

### Fed Signals Readiness to Shift Bond Buying Tactics

The minutes of the Federal Reserve's last policy setting meeting were released on Wednesday, showing that officials discussed ways it can start signaling potential future changes in its bond-buying policy. The Fed's officials showed that they were ready to make changes to their asset purchases program if circumstances shifted, leaving the door open for new action but ruling out any immediate steps.

Although the minutes revealed the extent to which the regulator is converging on further steps to boost the recovery through its asset purchase program, they still lacked a firm consensus on the details and timing. The minutes indicated that "many participants judged that the committee might want to enhance its guidance for asset purchases soon," while a "few" were "hesitant" to make changes in the near term, citing "considerable uncertainty about the economic outlook and the appropriate use of balance sheet policy given that uncertainty."

### Virus Surge Dampens Consumer Confidence

Consumer confidence in the US fell to a 3-month low mainly due to resurgences in COVID-19 cases. The Conference Board's index decreased to a reading of 96.1 in November from 101.1 in October, below the expected 97.7 level. Compared to pre-coronavirus levels, the index was at 132.6 in February. The economy is losing momentum after the over \$3 trillion in government stimulus relief ended. The package had aided millions of unemployed Americans with their daily expenses as well as supporting small/medium sized companies, which can explain the record economic growth seen in Q3 of this year. Moving ahead, growth

estimates for the fourth quarter are below a 5% rate. More fiscal stimulus is expected only after president-elect Joe Biden holds office on January 20.

### **Weekly Jobless Claims Rise**

As COVID-19 cases surpass 100,000 on a daily basis, the labor markets recovery lagged as restrictions forced further layoffs. The number of Americans filing first-time unemployment benefits intensified further last week. A huge surge in new COVID-19 infections and business restrictions were boosting layoffs and depressing the labor market recovery.

Claims for benefits rose 30,000 to a seasonally adjusted 778,000 for the week ending November 21, the Labor Department said. That was the second straight weekly rise in claims and surpassed economists' anticipations for 730,000 applications polled by Reuters. The unemployment rate came in at 6.9% for October, down from 7.9% in the previous month. Still, around 11.1 million people are currently unemployed.

### **Manufacturing & Services Activity Expanded Rapidly in November**

Last week, a survey revealed the economy is continuing to make progress out of the COVID-19 recession even as cases surge across the country. Both of the HIS Markit's manufacturing and services sectors topped forecasts illustrating a further strengthening of demand. The manufacturing index rose to 56.7 from 53.4 in October, well above forecasts of 53. Meanwhile, the services industry rose to its highest level since 2015 at 57.7 following 56.9 a month prior, while expectations sat at 55.

### **Market Movements**

US stocks, alongside with global equities were seen to reach new highs in light of the promising news of a smooth transition of power in the US alongside with vaccine hopes bolstering the risk off sentiment. The Dow Jones Industrial Average climbed to surpass 30,000 for the first time, and then receded to close the week at 29,910.37 up 2.21%. The wider S&P 500 gained 2.26% to close at 3,635.35. The moves marked an acceleration of a trend that began in the wake of Joe Biden's election win earlier in the month and went on to gain traction following a series of positive vaccine results.

The greenback on the other hand continued to incur losses during the week as investors shy away from the dollar's safety and increase their appetite for riskier assets. The dollar index broke the 92.000 mark for the first time since September 1 and closed the week down by 0.67% at 91.782. Both the euro and pound gained in the wake of the dollar despair closing the week up 0.91% and 0.23% at 1.1962 and 1.3314 respectively.

## **Europe & UK**

---

### **Business Activity Contracts in November**

Euro-zone business activity contracted sharply this month alongside renewed lockdowns as COVID-19 cases surged across the region, indicating the bloc is likely post another sizeable contraction in Q4 of this year. The economy contracted 11.8% in Q2, and then registered a better-than-expected expansion of 12.7% for Q3. The flash PMI composite index, which tracks activity in both manufacturing and services, came in at 45.1 in November - down from 50 in October and is at its lowest reading in six months. The euro-zone services industry naturally suffered greater damage than the manufacturing due to the lockdowns, with the flash services PMI registering below the expansion level at 41.3, while manufacturing came in at an expansionary 53.6. On the bright side, outlook has improved as news of effective vaccines and expectations of further stimulus from the European Central Bank boosted optimism.

## **Commodities & Equities**

---

## Oil Prices Jump to 8-month High While Gold Recedes

Last week, data revealed a surprise drop in US crude inventories by 754,000 barrels versus expectations for a 127,000 increase. Driving the rally further were news reports of multiple effective vaccines and expectations that OPEC+ will delay its decision to increase output next year.

Gold on the other hand started to lose its luster, suffering its worst week in more than two months down 4.40% to close at 1,788.13.

## Kuwait

### Kuwaiti Dinar

USD/KWD closed last week at 0.30520.

### Rates – 29<sup>th</sup> November, 2020

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	High	Low	Close	Minimum	Maximum	Forward
EUR	1.1851	1.1964	1.1799	1.1962	1.1860	1.2170	1.1990
GBP	1.3273	1.3397	1.3262	1.3314	1.3215	1.3515	1.3315
JPY	103.85	104.75	103.67	104.10	102.15	105.10	103.91
CHF	0.9108	0.9147	0.9037	0.9041	0.8845	0.9135	0.9014

© Copyright Notice. The Weekly Money Market Report is a publication of the National Bank of Kuwait. No part of this publication may be reproduced or duplicated without the prior consent of NBK.

While every care has been taken in preparing this publication, National Bank of Kuwait accepts no liability whatsoever for any direct or consequential losses arising from its use. This report and other NBK research can be found in the "News & Insight" section of the National Bank of Kuwait's website. Please visit our website, [www.nbk.com](http://www.nbk.com), for other bank publications. For further information please contact: NBK Treasury Group, Tel: (965) 2221 6603, Fax: (965) 2241 9720, Email: [tsd\\_list@nbk.com](mailto:tsd_list@nbk.com)