

Weekly Money Market Report

22 November 2020



Second Wave of COVID-19 Cases Capps Risk On Mode Following Another Vaccine Announcement

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Highlights

- Brexit talks seem to be heading for another deadlock and miss another deadline
- Christine Lagarde expects inflation to remain negative until early 2021 in Europe
- Retail sales in the US missed expectations
- Equities Rallied on the second COVID-19 vaccine announcement

United States

Second Vaccine Announcement

Global markets went into risk on mode last week as another pharmaceutical company, Moderna, followed the footsteps of Pfizer and announced their COVID-19 vaccine showed 95% efficacy. The results come hot on the heels of similar results from Pfizer, and add to growing confidence that vaccines can help end the pandemic. Both vaccines are yet to be approved by the FDA but investors are reining in the euphoria that propelled global stocks.

US equities rallied following the announcement of a second vaccine with solid statistics sending the Dow Jones to gains up to 2.60% following the news. On the other side, US treasuries were steady as investors await the outcome of stimulus packages in the US and other major economies as well. On the other hand, the US recorded the highest COVID-19 daily death rate in more than six months on Tuesday. The pandemic is now killing at least one American every minute, and more than 250,000 individuals have lost their lives since February 29 in the US alone.

The US dollar shed value against a basket of rival currencies last week. The greenback lost more than 5% year-to-date with major political events taking place, namely US Presidential elections and the escalation made on the validity of the voting procedure by President Trump. Additionally, uncertainty revolving around the stimulus package and trade deals had investors fleeing to safe-haven currencies, mainly the Swiss franc and the Japanese yen.

US Economic Data

The resurgence in COVID-19 cases across the US has slowed down retail sales as household incomes decline. The October figure revealed retail sales rose just 0.3% last month, missing expectation of a 0.5% increase and follows a 1.6% gain seen in the month prior. Meanwhile, the core figure - most closely associated with the consumer spending component of GDP - gained just 0.1% following a downwardly revised 0.9% increase in September. Millions of Americans are unemployed and lack governmental financial support while COVID-19 cases continue to exceed 100,000 on a daily basis. It appears unlikely a second rescue package will come into play before President-elect Joe Biden takes office in January. Nevertheless, economists expect retail sales to grow moderately for the rest of the year and contribute to slower economic growth following the GDP recovery of 33.1% in the third quarter.

Europe & UK

Brexit

The European Union warned that the UK hasn't moved sufficiently to overcome the main obstacles to a post-Brexit trade deal as three of the bloc's leaders called for contingency plans to be stepped up in case there is no agreement.

At a meeting in Brussels last Friday, Secretary General of the Commission Ilze Juhansone told representatives from the European Unions' 27 member states that negotiations could now slip into December as progress has been slow, according to people in the meeting. The talks were roiled this week by the disclosure that a member of the EU team had tested positive for coronavirus. Face-to-face negotiations have been now suspended, and Michel Barnier, the bloc's chief negotiator, is to go into quarantine just as time to reach a deal runs out.

ECB Governor Christine Lagarde Speaks

In a speech at the Committee on Economic and Monetary Affairs last Thursday, ECB President Christine Lagarde shared her view on the recent surge in coronavirus cases globally. She iterated that the increase in number of cases is adding to the already heightened level of uncertainty. She also added that the key challenge for policymakers will be to bridge the gap until vaccination is well advanced and the recovery can build its own momentum. She also commented on the ECB's inflation expectation for the Eurozone to remain in negative territory until early next year.

The single currency traded in a narrower range against the US dollar than most major currencies with resistance levels at 1.19 capping the momentum of the euro.

Retail Sales in the UK

Retail sales in the UK surged by 1.2% in October on monthly basis and shattered expectations of a 0.3% decline. The Office for National Statistics elaborated on the data released on Friday saying that the feedback from a range of businesses suggested that consumers had started Christmas shopping earlier this year. The COVID-19 crisis created a liquidity shock to retailers and hence the early discounting helped push retail sales higher in October.

The cable had a strong week and gained ground on the dollar by as much as 1% when the Sterling tested the 1.33 level which was short-lived and the currency closed the week at 1.3282.

Australia

Australia Labor Market

Labor market data released last week showed unemployment climbed from 6.9% to 7% in October. The number of people out of work rose by nearly 26,000 over the month and the participation rate, the proportion of those people looking for work, lifted from 64.9 %to 65.8% in October. But to the surprise of economists, 178,800 jobs were created in October as employers put on more people in both full- and part-time roles. The currency remained natural and didn't react in a volatile manner following the release.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30535.

Rates – 22nd November, 2020

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	High	Low	Close	Minimum	Maximum	Forward
EUR	1.1829	1.1894	1.1816	1.1857	1.1675	1.1925	1.1890
GBP	1.3184	1.3312	1.3162	1.3275	1.3100	1.3400	1.3310
JPY	104.89	105.13	103.65	103.85	102.90	104.00	103.65
CHF	0.9128	0.9151	0.9088	0.9110	0.9075	0.9200	0.9084

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