Markets News 22-11-2021

European markets were set for better opening Monday morning following mixed to positive moves in Asia overnight.

This all comes despite the push back in many EU countries against further lockdown measures to counter the sharply increasing covid infection rates.

Demonstrations have been seen in Belgium, Austria, Netherlands, and Denmark as protesters vent their anger and frustration against further lockdowns and restrictions designed to slow the spread of Covid 19 at the critical time of year.

US Dollar remains **bid** versus **most major currencies**, reaching its highest level in more than 16 months – May 2020.

Review

FTSE -124 -1.7% DOW -498 -1.4% S&P +15 +0.32% NASDAQ +196 +1.25% DAX +66 +0.41% NIKKEI135 +0.46% Hang Seng -278 -1.1%

US indices managed to hold on to gains for the week despite more evidence of the rise in inflation with **UK RPI jumping 4.2% to record its highest level in over 10 years**.

The tech sector again helped US indices which remain in a league of their own.

UK stocks fell as the **inflation reading** all but confirmed that the **Bank of England would act at its next meeting.** Sterling also reacted, gaining ground versus the Euro and the surging US Dollar.

For a while it looked like the bank might get away with it in the short term but not with prices surging 4.2% over the year. A 5% reading seems to be on the cards. **Expect a rate rise** to 0.25% from 0.1% anytime soon.

EURUSD -1.62 -1.41% GBPUSD +0.31 +0.23% USDJPY +0.13 +0.11%

Gold -16 -0.85% UK OIL –3.7 4.5% US OIL –5.18 -6.4% Bitcoin -6,040 -9.4%
US Dollar pushed higher versus most major currencies, bar Sterling. The move **against the Euro accelerated further last week** as the ECB president, **Lagarde**, made clear her **dovish views**, that the ECB needs to be patient and not tighten prematurely. This was at odds with other central banker speakers last, such as **Jens Weidmann** who said the ECB should consider **reducing the QE sooner than later**. Weidemann is leaving his post as president of the Bundesbank and has been known to be on the **hawkish side**.

The US Dollar has made **significant gains versus the Euro this year**, which is contrary to all forecasts at the beginning of the year which mostly called for a weaking US Dollar.

The main reason for the moves over the past two weeks has been the **policy divergence** between the FED, and BoE, and the ECB.

The ECB has decided to **tough out** the surge in inflation in the belief that that the **supply bottlenecks** that are the main cause of the jump, will **subside soon**.

There are however **increased calls** within the EU to **take action sooner than the central bank has indicated**, in early 2023.

In the US, **Federal reserve members voiced concern** over the surging inflation. **Richard Clarida**, who spoke Friday afternoon, suggested that the Fed could take more action to cool price rises by a**ccelerating the pace at which the FED tapers the QE program**. The FED originally announced the program would end in June next year but with surging prices, **Clarida would support a faster reduction** in this massive bond buying program.

Gold – Something we commented on last week. It seemed some sort of normality might have returned to the gold market as the price jumped two weeks ago. Disappointingly for the Bulls, **gold lost its lustre** again last week as the **US Dollar took its toll**.

The mood was not helped with **Cryptos** having **another wobble**, with **Bitcoin falling 10%** on the week.

Data / Events this week

The FED is clearly concerned about the **surge in inflation**, which is a global phenomenon brought about by supply bottlenecks. The worry is that the **cost-push inflation**, caused by the doubling of many raw materials, will then be overtaken by **wage increases** which would lead to **demand pull inflation**, and that is more difficult to contain.

This week we have the release of some more key inflation data, minutes from the ECB and more data on manufacturing and services data. Plus, one Central Bank meeting.

Monday

No data of note

Tuesday

EU, UK
& US **Flash Manufacturing, and services sector data**. A tale of two halves. Slightly **weaker activity in the EU** versus a more **resilient US set of readings**.

Wednesday

NZ **RBNZ policy meeting**. With inflation running at 4.9% this hawkish bank is expected to raise rates to 0.75% - an increase of 0.25%, possibly 0.5%.

This will the second raise in two months.

Germany **IFO Business survey**. Large monthly survey of retailers, wholesalers – Clouds are darkening as the Covid 3rd wave Takes hold.

US **Prelim GDP** – the second reading of Q3. Slightkly softer.

US **PCE** - personal consumption expenditure price index. This is another **inflation reading** that the Federal Reserve follow closely.
This release tracks the **change in prices of goods and services purchased by consumers** throughout the economy. This number captures the average percentage change in prices across **all** categories within personal consumption expenditures. All markets could be affected by this release.

A stronger than expected number will cause USD to rally and Bonds to fall. Equities are a law unto themselves but ordinarily a **strong inflation reading** that could **push the FOMC to act** sooner than expected will eventually **scar the markets** more.

Thursday

EU **ECB minutes**. Any chinks in the dovish armour? Any clues as to what the ECB council might be considering at their next meeting on 16th December.

Friday

Eurozone	**Lagarde** speaking at Legal Conference. Comments about release of ECB minutes the previous day.