

# Weekly Market Recap

Australia | 30 November 2020

## Week in review

- Eurozone PMI composite index falls to 45.1
- U.S. PMI composite index rises to 57.9
- Australia capital expenditure falls 3.0% q/q

## Week ahead

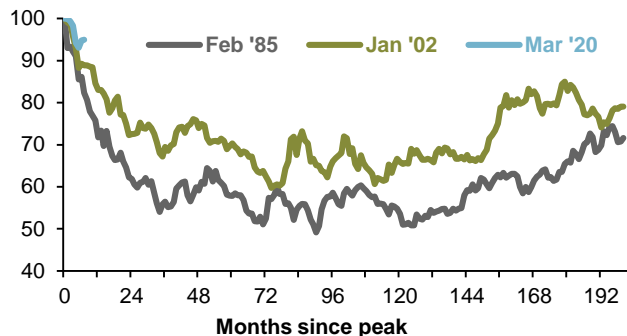
- RBA policy meeting
- Australia 3Q real GDP growth
- U.S. employment report and nonfarm payrolls

## Thought of the week

Equity markets are trying to balance the tension between COVID risks and vaccine surprises. The implication is near term economic weakness with medium term economic strength in places like the U.S. Heading into 2021 countries will recover at different rates and this will be reflected in currency movements, especially as interest rate differentials around the world have collapsed. The lower valuation on assets outside of the U.S. should also fuel capital flows into other regions creating U.S. dollar depreciation. Structural forces from rising fiscal and current account deficit should add to the weight on the U.S. dollar. This week's chart looks at the past two dollar declines from their peaks in 1985 and 2002. In these instances the unwinding of dollar strength lasted many years, but the majority of the decline happened early on. Compare this to the peak in the U.S. dollar index this year, and it appears we are only at the state of a period of prolonged weakness in the greenback.

## U.S. Dollar cycles last many years

Trade weighted U.S. dollar index, rebased to 100 at peak



## Market statistics

Equities	Level	Index returns (%)		
		1 week	YTD	1 year
MSCI AC World	719	2.2	11.4	13.8
MSCI World	1,957	2.3	10.9	12.9
MSCI EM	69,039	1.6	14.8	20.0

Countries	Level	Index returns (%)		
		1 week	YTD	1 year
ASX 200	6,601	1.0	1.5	-0.8
Small Ords	3,035	1.6	7.0	6.8
NZ50	5,309	1.6	10.0	13.7
Topix	1,787	3.4	6.2	7.0
Shanghai Comp	3,408	0.9	11.7	17.4
S&P 500	3,638	2.3	14.5	17.5
Stoxx 600	393	1.0	-3.0	-1.5
DAX	13,336	1.5	0.7	0.4
CAC 40	5,598	1.9	-4.3	-3.4
FTSE MiB	22,352	3.1	-2.8	-2.7

ASX sectors	Level	Index returns (%)		
		1 week	YTD	1 year
Cons disc	2,931	0.5	12.1	9.1
Cons staples	12,539	-1.1	5.2	-3.3
Energy	8,221	6.3	-26.2	-26.8
Financials	5,551	1.7	-4.3	-6.6
Healthcare	44,532	-2.8	10.8	8.7
Industrials	6,232	-0.9	-8.8	-11.4
IT	2,003	-0.4	43.6	37.6
Materials	14,610	3.2	10.2	11.6
Telecoms	1,286	0.4	6.1	2.9
Utilities	6,986	1.6	-10.4	-10.4

Volatility	Level (%)			
	27/11/20	20/11/20	31/12/19	27/11/19
VIX	20.84	23.70	13.78	11.75

Local bonds	Yield	Change (bps)		
		1 week	YTD	1 year
2yr Aus Treasuries	0.09	0	-83	-61
10yr Aus Treasuries	0.90	4	-48	-12
AusBond Comp	0.65	1	-73	-44
AusBond IG	1.00	-2	-87	-63

Global bonds	Yield	Change (%)		
		1 week	YTD	1 year
10yr US Treasury	0.84	1	-107	-92
10yr UK Gilt	0.30	-1	-53	-37
10yr German Bund	-0.59	0	-40	-22
10yr JGB	0.02	2	4	14
Global Agg	0.86	-1	-59	-54
Global IG	1.41	-3	-80	-82
Global HY	4.92	-16	-76	-120
EMD (\$US)	4.75	-2	-18	-46

Commodities	Level	Change (%)		
		1 week	YTD	1 year
Copper (\$/t)	7,462	3.9	21.2	25.9
Gold (\$/ozt)	1,779	-5.1	17.5	22.3
Silver (\$/ozt)	23.14	-4.3	28.2	35.6
Crude (Brent\$/bbl)	48.18	10.0	-28.9	-25.9
Iron ore (\$/t)	124.25	0.7	35.7	47.2

Currencies	Levels (vs \$A)			
	27/11/20	20/11/20	31/12/19	27/11/19
USD	0.7398	0.7311	0.7030	0.6781
EUR	0.6192	0.6167	0.6262	0.6165
GBP	0.5544	0.5502	0.5306	0.5266
CHF	0.6694	0.6664	0.6807	0.6774
JPY	76.9429	75.8940	76.3931	74.1706
NZD	1.0514	1.0529	1.0419	1.0556

Please see important disclosure on next page.

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Source: FactSet, J.P. Morgan Asset Management, all returns in local currency unless otherwise stated.

Equity price levels and returns: Levels are prices and returns represent total returns for stated period.

Bond yields and returns: Yields are yield to maturity for government bonds and yield to worst for corporate bonds. All returns represent total returns. AusBond Comp is the AusBond Composite 0+ Yr, AusBond IG is the AusBond Credit 0+ Yr both provided by Bloomberg.

Currencies: All cross rates are against the Australian dollar. An appreciation of the foreign currency against the Australian dollar would be positive and a depreciation of the foreign currency against the Australian dollar would be negative.

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