The Primes

Research Department

Directors of Department Mr. Younan - Mr. Choucair

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EUR-COVID recovery

Introduction

European Central Bank monetary policy announcement dominates the upcoming week for easing monetary policy and lowering economic projections are highly expected. Yet, EUR did not wait for the announcement and has already reached this week its highest level in 2 and a half years. In fact, some countries in Europe, such as France and Spain, are already seeing their COVID-19 curves flatten oppositely to the US which is falling behind in this matter. This pandemic easing arises the possibility to the ECB of a European recovery before any needed stimulus. Hence, in 2021, before any additional Eurozone stimulus, there could be more U.S. stimulus.

The FX

This week, EUR/USD climbed to 1.2177, a high level last seen in April 2018.Since the rally was intensified with EUR/USD breaking last year's high of 1.2011, the USD was sold-off either with optimistic or pessimistic headlines. Holding on to most of its weekly profits, the pair modestly retreated from such a high.

Actually, GBP/USD caused high volatility with its drop from 1.3410 to 1.3225 due to anxiety on Brexit. However, when the Prime Minister declared his trip to Brussels to try to break the deadlock, the pair recovered to 1.3375. Actually, the drop on the pound will hit hard if the zero chance of a no-deal scenario, on which prices of the financial markets are based upon, were to be wrong.

Stronger Australian manufacturing data and Chinese trade data helped the Australian and New Zealand dollars extend their profits. In fact, among all other major currencies, the most susceptible to a correction is the AUD. Positive and negative news hold each other out in Australia with beating a second wave of coronavirus versus growing tensions with China in most of its important exports. About this last issue, more Australian beefs imports were suspended by China with 200% tariffs on Australian wine, Australian lobsters' imports blocked and coal imports delayed.

Similarly, due to softer manufacturing growth, the CAD lost ground. Economists had been looking for an improvement in the IVEY PMI Index to 54.7 after its drop from 54.4 to 52.7. Furthermore, job growth in December will be much weaker with the employment component falling from 50.3 to 48.1.

The infamous gold

After losing during 3 weeks in a row and hitting the lowest level of several months, XAU/USD reversed back up. In fact, the pair's 2.5% profit on a weekly basis was triggered by the broad USD weakness. Note that, similar to the EUR/USD pair, XAU/USD would move significantly by the ECB's policy announcements through the shift in the USD's market valuation.

Crude Oil

After a harsh crash in early November, oil markets are finally set to improve with, for the first time since a while, WTI breaking out the range of high 30's and low 40's. Despite witnessing 6-months gradual fundamentals' improvements, fear prevails with the worsening pandemic situation seen in the once again rising hospitalization rate. Amidst this fear, hope of the reversal of restrictive COVID-19 measures in the US lies in the possible approval of the new coronavirus vaccine. Until then, the pandemic is still negatively influencing oil demand causing a correction in oil. However, oil prices' crash earlier this year is unlikely to be seen again for the virus crisis will not influence them like then. Hence, the present pullback might actually be the opportunity traders have been waiting for.

Bitcoin again

The crypto market longs for new triggers while the light is shed on the traditional market with the renewal of growth in stocks, gold and oil. In fact, interest might witness waves of ups and downs based on what happens with traditional assets since institutional investors are currently managing the dynamic of price.

Conclusion

Now, earnings season is basically over and the election is in the rear-view mirror hence there is few corporate news to focus on. Consequently, geopolitics took the lead and unpredictable things might occur. Therefore, investors are still waiting, now more than ever, of a stimulus from the Congress despite the fact that it is hard to get anything done in a lame-duck session i.e. when the U.S. successor is elected, but before his term begins.