

Daily US Opening News

22nd December 2021

- European bourses and US futures remains contained in idle trade ahead of US data in holiday-thinned conditions; ES -0.2%
- In FX, the DXY is pressured sub-96.50 but hasn't deviated too far from the mark with peers, ex-JPY, benefitting; core debt continues to drift
- UK HSA real-world Omicron data will be mixed; variant is less severe but may still cause large hospitalization numbers, via Politico
- Oxford and AstraZeneca are working on a Omicron-targeted version of their vaccine
- Looking ahead, highlights include US GDP, Consumer Confidence, Existing Home Sales

CORONAVIRUS UPDATE

UK HSA real-world Omicron data will conclude that those who catch it are less likely to become severely ill than those with Delta. However, it is not necessarily mild enough to avoid large numbers of hospitalizations, via Politico sources. Evidence that for those who become severely ill, there remains a high chance of hospitalisation and death. Transmissibility is very high. **Booster does significantly reduce the likelihood of symptomatic infections and going into hospital.** (Politico)

- Focus is also on hospital data; reports [via i](#) on Tuesday state their understanding is that fresh restrictions may be avoided if London hospital admissions stay below 400/day at the end of the week. As of Sunday, this was 245 /day.

South Africa NICD says indications are we have passed peak of infection in the Guateng Province, other provinces still on an upward trajectory. Notes that the lower numbers may be due to lower holiday-period testing and as such it is important to keep looking at the percentage testing at this point. (Newswires)

Singapore is to pause ticket sales for vaccinated travel lane (VTL) flights and buses from Dec 23rd to Jan 20th. (Newswires)

Australian PM Morrison said the Cabinet has agreed to respond to surging COVID cases; haven't seen an impact on hospital system yet due to Omicron. National Cabinet has not implemented a mandate for masks, but PM Morrison said it is "highly recommended" people wear them while indoors. (Newswires)

China has ordered Xi'an's 13mln residents to stay at home due to a COVID outbreak, AFP citing officials. (AFP)

Oxford and AstraZeneca (AZN LN) are working on a Omicron-targeted version of their vaccine. (FT)

"preliminary experiments suggest that most of the antibody treatments for the disease are powerless against Omicron", via the nature journal; publications referenced have not been peer-reviewed. Preprints indicate that only Vir Biotechnology /GlaxoSmithKline's (GSK LN) sotrovimab and DXP-604, which is in trials, show strong evidence of retaining an ability to stop the virus. (nature)

Within weeks, scientists at the Walter Reed Army Institute of Research expect to announce that they have developed a vaccine that is effective against COVID-19 and all its variants, even Omicron. (defenseone)

Israeli government advisors recommend giving a fourth booster shot. (Newswires)

ASIA

Asia-Pac stocks were indecisive overnight following the sharp rebound seen on Wall Street - which was spurred by the tech sector as Micron led the charge following solid earnings, whilst some reopening plays such as airlines and cruise lines saw substantial gains. The Russell 2000 saw gains of 2.9%, the Nasdaq rose 2.4% whilst the S&P 500 and DJIA closed higher by 1.8% and 1.6% respectively. US equity futures trade flat with a mild downside bias, whilst APAC

stocks gradually trimmed earlier gains. The **ASX 200 (+0.1)** spent most of the session in modest negative territory, but gains in Tech cushioned losses. The **Nikkei 225 (+0.1%)** and **KOSPI (+0.3%)** opened with mild gains but the upside momentum petered out. The **Hang Seng (+0.6%)** initially outperformed amid a revival of large tech, with Alibaba, Tencent, NetEase and JD.com among the biggest gainers at one point. The **Shanghai Comp (-0.1%)** conformed to the indecisive tone, with the index caged to a tight range. US 10yr Treasury futures reflected the indecisiveness of markets overnight.

Chinese Senior State Planning official said China has the confidence, condition, and ability to keep economic growth at a reasonable level. (Xinhua)

PBoC injected CNY 10bln via 7-day reverse repo and CNY 10bln via 14-day for a net neutral daily injection of CNY 10bln, at maintained rates of 2.20% and 2.35% respectively

- PBoC set USD/CNY mid-point at 6.3703 vs exp. 6.3690 (prev. 6.3729)

BoJ October meeting minutes note board members discussed the impact of a weaker JPY on the economy. (Newswires)

UK/EU

ECB's Holzmann says in an extreme scenario, rates could be lifted in 2022; if the ECB said it did not need any more bond purchases, since it expects inflation near or above target in 2023-2024, that would be a strong signal that a rate hike is likely in the next two quarters. (Newswires)

GEOPOLITICAL

China's President Xi has met with Hong Kong's SAR Lam on Wednesday, as part of her annual Beijing trip. (Global Times)

Libya's parliamentary committee says it is impossible for elections to take place on December 24th; committee adds that the Speaker should begin planning a new political roadmap. Subsequently, Commission believes they should be postponed until January 24th. (Newswires)

Russian Foreign Minister says Vienna talks on Iran will resume before the end of 2021. Separately, says the first-round of discussions on their security demands anticipated early-2022, lfx. (Newswires)

EQUITIES

European bourses are essentially unchanged, with both the direction and magnitude of action in-fitting with the dull trading conditions seen overnight. Since the cash open, indices have meandered around the unchanged mark; there are modest regional differences but no convincing or enduring moves in either direction. Sectors are in the green, but the breadth of performance is contained with less than 1.0ppts separating the best and worst performers. News flow remains thin and focus continues to fall on COVID; albeit, the clamour for updates has slowed somewhat with the UK and US confirming no pre-Xmas restrictions, but the post-Xmas period remains uncertain. Individual movers include Delivery Hero (+6.5%) after updating on Foodpanda divestments, Rio Tinto (-1.3%) following the acquisition of Rincon Mining Lithium for USD 825mln.

Japan's Health Ministry says it is currently difficult to calculate the efficacy of **Biogen's (BIIB)** Aduhelm Alzheimer's drug with current data. (Newswires) *-1.1% in the pre-market*

China market regulator SAMR approves South Korea's Hynix (000660 SK) to acquire** Intel's (INTC)** NAND and SSD business. (Newswires)

FX

DEX/CHF/JPY - Newsflow and turnover is dwindling as the clock ticks down to Xmas, but the lack of depth in terms of trading volume is keeping price movement active or even lively for some financial market instruments and assets. Indeed, debt remains volatile and in the throes of a relatively pronounced, deep bull retracement, to the benefit of the Buck over lower yielders if not other rival currencies that are elevated or underpinned due to independent factors. As such, the Dollar index is holding around 96.500, and currently within a 96.361-604 range awaiting a decent line up of US data that may prompt a reaction and provide a fundamental distraction from the overriding focus on pandemic headlines

/updates. Conversely, the Yen and Franc are lagging/underperforming, with the former now probing below its post-FOMC base and inching closer towards Fib support at 114.38, while the latter is trying to absorb more offers and soak up pressure at 0.9250.

GBP - The Pound has bounced further from recent lows across the board in wake of confirmation from UK PM Johnson that no new Omicron/COVID measures will be imposed this side of Christmas rather than final UK GDP data for Q3 that was somewhat mixed. Cable is eyeing edging through.3300 and Eur/Gbp is straddling 0.8500 irrespective of hawkish sounding comments from ECB's Holzmänn who suggests there may be an extreme case for a rate hike in 2022.

NZD/CAD/AUD/EUR - Risk sentiment appears to have plateaued following Tuesday's significant revival in appetite, but the Kiwi, Loonie and Aussie have derived enough impetus to pare declines against the Greenback between 0.6773-40, 1.2924-04 and 0.7158-21 respective parameters, in keeping with crude, industrial and precious metals that are maintaining recovery momentum on the grounds that the latest pandemic waves might not be as damaging as prior episodes. Elsewhere, the Euro could be gleaned underlying support from decent option expiry interest at 1.1245-50 (1.3 bn) in the same vein as expiries capped the upside yesterday and on Monday, but the psychological 1.1300 level is still proving to be a tough hurdle even with the aforementioned ECB rhetoric.

EM - A new day brings more angst between Russia and the US, though the Rub is firmer alongside Brent and the Nok, while the Cnh and Cny are both on an even keel after another firmer PBoC midpoint setting. In Turkey, the Try seems to have topped out with little response to the first CBRT repo by quantity auction at 14% in Lira 38bn, maturing on December 29 that came at an official rate of 12.348 vs the Usd for time deposits. Indeed, the pair has rebounded from close to 12.0000 and is now nearer the upper end of a band reaching 12.6600, largely taking comments from President Erdogan in stride as well. However, for the record he declared in typical forthright fashion that the country has thwarted all games against the domestic economy, adding more dramatically that those calling to buy FX (Usd) have now had their 'brains watered out' (or washed presumably!).

Notable FX Expiries, NY Cut:

- EUR/USD: 1.1205 (910M), **1.1245-50 (1.1BN)**, 1.1300 (700M), 1.1335-40 (750M), 1.1350 (610M)

Brazilian Lower House approved the 2022 budget. (Newswires)

FIXED

Bounces are becoming more dead cat and bouts of consolidation/short covering increasingly fewer and farther between, as debt futures continue to recoil, albeit in relatively steady fashion rather than freefall. **Bunds** have now had a look under the 173.00 handle to see what lies beneath and found some dip-buyers ahead of a Fib retracement at 172.85 when recovering from a 172.93 Eurex low (-38 ticks on the day and just over 2 big figures down from Monday's session best). Meanwhile, **Gilts** hit 125.41 (-41 ticks and almost 100 ticks below their post-BoE hike trough) and the 10 year **T-note** is only barely staying afloat on the day within 130-28+/130.17+ extremes ahead of a busy pm agenda on the data front plus more supply as Usd 17 bn 5 year TIPS loom.

COMMODITIES

WTI and **Brent** are modestly firmer in a continuation of the general trend of APAC trade, though the benchmarks remain within fairly narrow parameters. Prior to Tuesday's private inventory report, some modest downside was seen, and while the API's weekly inventory data reportedly showed a larger-than-expected build, the internals were more mixed. Today's EIA release is expected to print a headline draw accompanied by mixed internals. Currently, the benchmarks are steady towards the top-end of the sessions range which stands at under USD 1.0/bbl. Natural gas prices remain in focus as reports once again indicated that the Yamal-Europe pipeline is operating in reverse mode. However, UK prices were subdued, retracing some of the upside seen yesterday on the referenced pipeline activity. Moving to metals, spot **gold** and **silver** are contained and have been pivoting the unchanged mark for this most part. Separately, base metals are modestly firmer deviating slightly from APAC pressure in **copper**, for instance.

US Private Inventories: Crude -3.67mIn (exp. -2.8mIn), Cushing +1.27mIn, Gasoline +3.7mIn (exp. +0.5mIn), Distillates -0.85mIn (exp. 0.0mIn). (Newswires)

Russian gas flows via the Yamal-Europe pipeline are running in reverse for a second day, Reuters reports. (Newswires)

Peruvian Community Leader said they will not lift blockade against Las Bambas copper mine yet; a discussion will happen with residents. (Newswires) *Peru is the world's no. 2 copper producer. Las Bambas accounts for 2% of world copper supply.*

Magnitude 6.3 earthquake hit Southern Alaska, according to EMSC. (Newswires)

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