The Primes

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Vaccine is here…

Introduction

As investors conserved their optimism around the coronavirus vaccine's endorsement and rollout as well as prospects of supportive monetary policy, stock index futures moved slowly towards record highs which kept markets in an upbeat mood on the second trading day. In vision of supporting economies in the region which suffers still from the damage caused by the virus, the central bank shows his readiness to uphold its highly accommodative monetary policy as long as needed. In fact, a stimulus package to back up the many sectors damaged from the virus's spread, such as hotels, restaurants, the travel industry and commercial real estate, will not be agreed upon by the Biden administration, the Senate and the House. In addition to that, the retail sector will similarly be damaged if no additional fiscal aid was provided to American consumers.

The FX

After the bullish breakout above 1.20 on Tuesday, stronger gains are expected to be seen for EUR/USD. In fact, the USD, standing on the defensive, is losing hope for the rapid global economy recovery backed by the potential COVID-19 vaccines and could continue to lose hope ahead of Christmas. On the other hand, the dollar is bearishly pressured by the reestablished optimism over the US fiscal stimulus. Actually, gains in the currency pair seems to be stimulated by this bearish sentiment.

With the renewed Brexit optimism and broad US dollar weakness, having hit three-months highs at 1.3440, GBP/USD is extending its bullish consolidative mode above 1.3400 into European trading. Actually, in addition to the Brexit deal, UK vaccine rollout likely this weekend, the upside in the cable was strengthened by the optimistic November UK Final Manufacturing PMI and the broad US dollar slump. What sent Wall Street indices to fresh record highs is the greenback's fall to fresh two-and-a-half-year highs against its major rivals in the middle of talks concerning the renewal of the US fiscal stimulus.

As the US dollar bears hold control after the crash, the tepid jump in USD/JPY to 104.50 was allowed by the rise, once again, of fresh bids near the 104.20 region. At the beginning of the week, published Japanese data was mostly optimistic with November’s Jibun Bank Manufacturing PMI upwardly revised from 48.3 to 49, October’s Unemployment Rate seen as expected at 3.1%, while the Jobs/Applicants Ratio upgraded to 1.04.

Despite upbeat Australian Q3 GDP, AUD/USD has eased-off daily highs just below 0.7400. Actually, in the third quarter, Australia's economy witnessed a rebound bigger than expected.

The infamous Gold

Safe haven assets such as gold dropped with investors switching to a risk-on mode. On the other hand, several news stories were welcomed by investors for they reduced uncertainty considerably and made them believe that the economy will start being normal once again. This news is about few vaccines coming to the market, formal transition of power from the current administration to President-elect Joe Biden starting, as well as Biden picking Janet Yellen being picked as his Treasury Secretary. The fact that unrestrained pandemic, challenged election, or an inexpert, radical progressive responsible for U.S. financial matters will not happen, relieved market participants. To overcome its present weakness and rise further, gold needs to be triggered by the next US stimulus package, some turmoil in the corporate debt markets, or the next dovish alteration in the Fed's stand that might be declared in December.

Crude Oil

Last month's three vaccine announcements, which are next year's economic recovery simulation, caused oil prices to rebound strongly. Not that the previously mentioned recovery is also backed up by OPEC + potential push back plans to grow production by 2 million barrels in January. Actually, earlier this week, after the OPEC meeting, investors were disappointed by not reaching a deal to implement production cuts. Note that most of the loss in oil prices was made by the close of the trading session. Investors are waiting to see if an agreement were to actually happen when OPEC reconvenes. Shorts cover will be seen if OPEC does extend cuts. However, the trend is against the short and a seasonal rally is expected as the fundamentals carry on their improvement.

Is it bitcoin again?

For the first time since December 16, 2017, the cryptocurrency scored on Monday a new record at $19,864. After this unexpected great recovery, investors are uncertain where to invest in Gold, which has been failing to rise either on dollar weakness or on its haven status, or in what is referred to as “digital gold”. In fact, now, cryptocurrencies are being taken as an effective form of investment to be held within portfolios.

Conclusion

Strong buy the dip flows has been meeting attempts of profit taking as a positive mood reigns in the markets. The momentum is expected to endure as equities closed at all-time highs. Assuming COVID-19 vaccines are available and effective, investors would be buying ahead of a global recovery as interest rates remain low. However, it is important to mention that stocks might be weighted by the possibility of the pandemic worsening before the vaccines become globally accessible. Moreover, equity prices are risking to become overheated.