WEEKLY MARKET RECAP : November 29 – December 3,2021

Happy Friday, traders. Welcome to our weekly market wrap, where we take a look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets

The ADP data released Wednesday surprised to the upside, with a December reading of 807 thousand new jobs, showed an increase in private payrolls of over 800,000 in December, more than double the expected number.

US non-payroll missed expectation, but unemployment rate and wage growth beat， US non-farm payroll employment rose only 199k in December, much worse than expectation of 400k. Unemployment rate dropped to 3.9%, down from 4.2%, better than expectation of 4.1%. More importantly, wages reported another month of strong growth. Average hourly earnings rose strongly by 0.6% mom, above expectation of 0.4%.

Markets are still figuring out how to react to the mixed US non-farm payroll data. U.S. stocks and Treasuries were muted on Friday as investors sought to interpret mixed messages of payrolls numbers and its potential impact on Federal Reserve policy in the final session of a roller-coaster first trading week of the year.

The U.S. dollar index, which measures the currency against the yen and five other major peers, has seen a choppy reaction to the latest jobs report. It initially saw downside, likely due to the headline number missing expectations.

The renewed dollar weakness after the mixed December Nonfarm Payrolls report is helping GBP/USD push higher ahead of the weekend. GBP/USD clings to modest daily gains above 1.3580. EUR/USD climbs to fresh session high above 1.1350.

Oil Price - Data from the U.S. Energy Information Administration showed U.S. crude inventories fell by just over 2 million barrels for the week ended Dec. 31, less than expected, while gasoline inventories surged more than 10 million barrels, the biggest weekly build since April 2020.

Spot gold came under renewed pressure and fell to a fresh daily low below $1,790 in the early American session. The 10-year US Treasury bond yield is up 2% at 1.76% after the data from the US showed a stronger-than-expected increase in wage inflation despite dismal NFP growth.

Central Bank

Wednesday's Fed minutes showed that inflation has further spread in the economy and is going to stick around longer than they had originally anticipated. Traditionally, the best way to fight inflation is by increasing interest rates which the Fed is looking to accelerate through the year.

The FOMC minutes indicated that committee members viewed inflation risks to the upside and agreed that tapering should be accelerated due to inflationary pressures and the strong recovery. Members did not provide a lift-off date for a rate hike, but the minutes stated that they were open to raising rates "sooner or at a faster pace" than previously anticipated. The markets have priced in a March hike at around 60%, with three rate hikes expected in 2022.

How soon? Nonfarm Payrolls figures for December may have sealed the deal, showing inflationary pressures via wage growth and robust revisions.

The Fed has two mandates, employment and inflation. Solid job growth and rising wages mean aggressive tightening. That holds true even if next week's inflation report falls short of the 7% now projected by markets.

Euro zone inflation rose unexpectedly last month to 5% from 4.9% in November, a record high for the currency bloc, though unlike the Fed, the European Central Bank says prices will ease enough this year to avoid the need for rate hikes.

Thanks for reading! Have a great weekend!