

# MORNING REPORT

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## Top News

### Caution Abounds Even as Emerging Markets Ready Year-Ending Rally

Emerging markets are gearing up to ride a risk rally in the final full week of December, with a troika of uncertainties all but lifted from traders' radars.

There'll be plenty of caution around, though.

While last week's meeting of the U.S. Federal Reserve and the U.K. election have been removed from the list of worries, there are sufficient doubts about the progress of the U.S.-China trade negotiations to keep buyers away. And if there's anything to be gleaned from expected volatility in the Chinese currency, the skeptics are legion. Options-implied one-year volatility for the offshore yuan stood at 5.05% on Friday, above the roughly 4.5% in April and July, a time when traders saw a trade deal as imminent.

While Washington and Beijing agreed the first phase of a trade deal on Friday that will see the U.S. reduce some tariffs and China increase agricultural purchases, broader problems between the world's two biggest economies seem far from being resolved.

"This is only a short-term solution," Luciano Jannelli, head of investment strategy at Abu Dhabi Commercial Bank, said in an interview with Bloomberg TV on Sunday. "If you look at the lack of progress on the issue of China's industrial policy -- it's subsidizing of specific business lines -- the big issues have not been tackled yet."

Emerging-market stocks and currencies had their best week since June in the five days through Friday. Investors took heart from the Fed implying it would keep interest rates on hold throughout 2020 and then by signs the U.S. and China were nearing a phase-one deal. Boris Johnson's election victory on Thursday gave another boost to riskier global assets, given it will probably pave a smoother path for Britain to exit the European Union.

Argentina is due to release third-quarter GDP data on Monday that will in all likelihood show the nation was still mired in a recession in the period. Alberto Fernandez's new government is under mounting pressure to address the struggling economy and a mountain of debt. The peso is the world's worst-performing currency this year

On Tuesday, investors will eye Brazil's central bank minutes, seeking insight into the decision to cut borrowing costs to a record low this month. The bank will also release its fourth-quarter inflation report on Thursday. Brazil's credit-default swaps dropped last week after S&P Global Ratings changed its outlook to positive

NZX Index				
Index	Last	Change		
S&P/NZX All Index	12,168.27	72.31	↓	0.59%
S&P/NZX 50 Index	11,241.59	66.39	↓	0.59%
S&P/NZX MidCap Index	31,116.06	287.18	↓	0.91%
S&P/NZX SmallCap Index	64,733.76	22.44	↑	0.03%

ASX Index				
Index	Last	Change		
ASX All Ordinaries	6,844.60	33.80	▲	0.50%
S&P/ASX 200	6,739.70	30.90	▲	0.46%
ASX Small Ordinaries	2,880.30	22.30	▲	0.78%
S&P/ASX MIDCAP 50	7,214.90	62.20	▲	0.87%
S&P/ASX 20	3,706.00	23.20	▲	0.63%

Foreign Markets Index				
	Last	Change		
S&P 500	3,168.80	0.23	▲	0.01%
Dow Jones Industrial Average	28,135.38	3.28	▲	0.01%
NASDAQ Composite	8,734.88	17.56	▲	0.20%
DAX PERFORMANCE-INDEX	13,282.72	61.12	▲	0.46%
ASX All Ordinaries	6,844.60	33.80	▲	0.50%
NIKKEI 225	24,023.10	598.30	▲	2.55%
HANG SENG INDEX	27,687.76	693.66	▲	2.57%

Currencies (per NZ\$ 1.00)				
	Last	Change		
AUD	0.9582	-0.0015	▼	0.16%
USD	0.66	0.0000	▲	0.00%
CNY	4.6100	0.0000	▲	0.00%
EUR	0.59	-0.0003	▼	0.05%
CAD	0.8696	0.0007	▲	0.08%
GBP	0.49	-0.0004	▼	0.08%
JPY	72.1850	-0.0200	▼	0.03%

NZ Interest Rates				
	Last	Change		
NZ OCR	1.00			
3m Bank Bill	1.20			
5y Swap	1.43			
10y Swap	1.77			

Commodities Futures (Spot Price \$USD)				
	Last	Change		
Gold	1,474.30	7.60	▲	0.52%
Silver	17.00	0.05	▲	0.30%
Crude Oil	59.78	0.60	▲	1.01%

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