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Summary

The US economy continued to recover slowly. Financial market sentiment has been boosted given Biden's victory in the presidential election was gradually confirmed. The ECB argued that the pandemic might have longer-lasting effects both on the demand side and on the supply side, and it is likely to ease monetary policy further in the near term. China's economy further improved. The official signing of the RCEP will further promote economic and trade liberalization and integration within the region. It could be the catalyst for China's trade and foreign investment in the long run. Hong Kong's economy remained weak. The latest Policy Address not only focused on measures fighting against the pandemic, but also proposed new measures for Hong Kong's long-term development.

■ The US economy continued to recover slowly, Biden's victory boosted financial market sentiment

The US economy continued to recover slowly. Industrial production resumed positive growth which increased by 1.1% MoM in October, beating market expectations of 1.0%. Nevertheless, the rebound of COVID-19 hit consumer confidence. Retail sales merely grew 0.3% MoM in October, the slowest growth in six months. The recovery of labor market also decelerated. Although the unemployment rate dropped by 1 percentage point to 6.9% in October, nonfarm payrolls increased by 638,000 during the month, the lowest level in six months.

For the presidential election in early November, Biden got more votes than Trump in a number of swing states. The Trump campaign filed lawsuits for election fraud but failed. Hence, financial market sentiment has been boosted given Biden's victory in the presidential election was gradually confirmed. In November, the S&P 500 was up 10.3% MoM. In contrast, the US dollar, as a safe-haven asset, continued to weaken. The US Dollar Index fell 1.4% during the month.

The pace of Eurozone economic recovery slowed, the ECB may ease monetary policy further

Given the resurgence of pandemic in the region, the Markit manufacturing PMI in the Eurozone fell to 53.6 in November from 54.8 in the previous month, the lowest reading in the last three months. The negative impact of the lockdown measures has emerged. Industrial production dropped 0.4% MoM following the expansion for three consecutive months, undershooting market expectations of a 0.7% growth. Deflation in the Eurozone continued with CPI fell 0.3% YoY in September, resulting in negative growth for four months in a row.

The latest monetary policy account released by the European Central Bank (ECB) showed that members of the Governing Council argued that the pandemic might have longer-lasting effects both on the demand side and on the supply side, reducing potential growth. They believed that it was necessary to update assessment on monetary policy tools in December, implying that the ECB is likely to ease monetary policy further in the near term.

China's economy further improved, RCEP has been officially signed

China's economy further improved and consumption picked up at faster pace. The YoY growth of retail sales accelerated to 4.3% in October from 3.3% in the previous month. Fixed asset investment increased by 1.8% for the first ten months of this year, 1 percentage point higher than that for the first nine months. External demand also stabilized, with exports (in terms of USD) increasing for five consecutive months. Exports was up 11.4% YoY in October, beating market expectations.

In November, China has officially signed the Regional Comprehensive Economic Partnership Agreement (RCEP) with the ten ASEAN countries, Japan, South Korea, Australia and New Zealand, which will further promote economic and trade liberalization and integration within the region. It could be the catalyst for China's trade and foreign investment in the long run.

Hong Kong's economy remained weak, the Chief Executive announced the Policy Address

Hong Kong's economy remained weak clouded by the COVID-19 pandemic. The decrease in retail sales narrowed to 8.8% YoY in October, partly due to a lower base of comparison. Inflation pressure was muted. Netting out the effects of all Government's one-off relief measures, the underlying CPI merely rose 0.4% YoY in October. Labor market condition remained challenging with unemployment elevated at 6.4% in October, a record high in the past 15 years. The unemployment rate is likely to rise further following the end of the second tranche of Employment Support Scheme and the resurgence of the pandemic.

The Chief Executive announced the latest Policy Address on November 25. While the pandemic has yet under control, the Policy Address would focus on measures fighting against the pandemic. Meanwhile, it also proposed new measures for Hong Kong's long-term development on financial services, innovation and technology, land creation for housing development, sustainable city development, education, and other livelihood issues, etc.

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