

Dollar, stocks fall after Trump's lack of policy details

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Wall Street stocks fell and the US dollar dropped to a five-week low yesterday after president-elect Donald Trump, in his eagerly-awaited news briefing the previous day, failed to provide details on fiscal policies that were expected to bolster the economy.

Investors were hoping for commentary on the new administration's plans for fiscal stimulus and tax cuts. Instead, Trump remarked on a broad range of topics such as the Mexican wall, allegations of Russian hacking and his business interests but left out what investors wanted to hear about - fiscal spending.

Still, market participants were willing to cut Trump some slack with just a week away from his inauguration and by late afternoon, stocks and the dollar trimmed their losses, while US yields came off their lowest levels of the day.

"The positive outlook for the US economy has not changed since November," said Kathy Lien, managing director of FX strategy at BK Asset Management in New York.

"American companies are adding jobs, paying more wages and optimism is on the rise."

She added that the market is still waiting for details on Trump's fiscal policies, and said there is no reason to believe he will not deliver on his promise of tax cuts and government spending.

The Dow Jones Industrial Average ended the day down 63.28 points, or 0.3 percent, at 19,858.87, while the S&P 500 lost 4.88 points, or 0.2 percent, to 2,2270.44. The Nasdaq Composite, on the other hand, dropped 16.16 points, or 0.3 percent, to 5,547.49, a day after hitting a record high.

The dollar, meanwhile, hit a five-week trough against a basket of major currencies and was on track for its worst week since November. The dollar index, which measures the greenback against six major currencies, last traded down 0.4 percent at 101.38. The dollar also slid to a five-week low versus the yen and last traded down 0.7 percent at 114.64 yen.

Trump did not mention tariffs against Chinese exports, a relief for Asian markets fearing the outbreak of a global trade war. But there was more pain for the dollar as the euro drove higher on ECB minutes showing a split over stimulus.

The president-elect's lack of policy detail put safety plays such as bonds and gold back in favour. The retreating dollar also brought relief for Brexit-bruised sterling and Turkey's lira.

Benchmark US Treasury 10-year note prices rose 2/32, with the yield down at 2.361 percent, although a soft US 30-year bond auction has boosted yields broadly.

European shares fell, bucking gains in Asia overnight and weighed down by a 2 percent slump in healthcare stocks after Trump had said pharmaceutical firms had been "getting away with murder" with their prices.

US-listed shares of Fiat Chrysler Automobiles NV were down 10.3 percent at US\$9.95 after the US Environmental Protection Agency on Thursday accused the company of illegally using hidden software that allowed significant excess diesel emissions.

Hike in oil prices

In commodity markets, oil was higher, bolstered by news that Saudi Arabia has cut oil output to its lowest in almost two years, according to its energy minister. The world's largest oil exporter is leading Opec's drive to eradicate a global glut and prop up prices.

US crude was trading up 1.5 percent at US\$53.05 and Brent crude was up 97 cents, or 1.8 percent at US\$56.07 a barrel, following gains of nearly 3 percent on Wednesday.

The weaker dollar also helped metals markets. Gold rose to a seven-week high just shy of US\$1,200 per ounce while London copper traded up almost 2 percent after electronic trading there was delayed by a five-hour outage.

The recently weak Chinese yuan also firmed against the dollar.

Asset management giant PIMCO said yesterday it thought there was a chance Beijing could fully float the yuan this year.

- Reuters

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