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Hello. Today we look at how coronavirus fears are rising again after the discovery of a new variant, the state of China's economy and concerns about the outlook for trade.

B.1.1.529

Inflation, central bank tapering, supply chain snarls, a looming fiscal cliff – they all dropped a notch on the global economy's list of concerns Friday as the Coronavirus shot back to the top.

A new variant called B.1.1.529 has been identified in South Africa and has already spread as far as Hong Kong, where it infected two travelers in hotel quarantine. See here for more details.

Stocks, Treasury yields and oil sank while the yen jumped – all hallmarks of investors bracing for uncertain economic times.

“What was expected to be another quiet day for markets, as U.S. activity is muted, is now likely to be rife with anxiety over the new variant and its implications for economic activity going forward,” Siobhan Redford, a Johannesburg-based analyst at FirstRand Bank, told clients in a report.

For South Africa’s economy, the news is a particular body blow especially for its already shaky tourism sector, which would have been eager to welcome foreigners chasing winter sun. The European Union, U.K. and Singapore have already curbed travel.

More broadly, there will be fears the new strain could fuel outbreaks in more countries, stretching health systems, potentially evading vaccines and complicating efforts to reopen economies and borders. The concern alone could dampen the confidence of consumers and companies, which had been showing signs of picking up.

Money markets are offloading bets on central bank interest-rate hikes in a hurry, as inflation fears give way to concerns that the variant may spread globally.

If contained, the new as-yet unnamed strain may prove to be just a scare for markets. The coming days and decisions from the World Health Organization will be closely watched for any broader spread.

At a minimum, however, it’s yet another reminder that Covid-19 is going to remain the wild card for the global economy and will continue to shape the recovery and what policy makers do next.

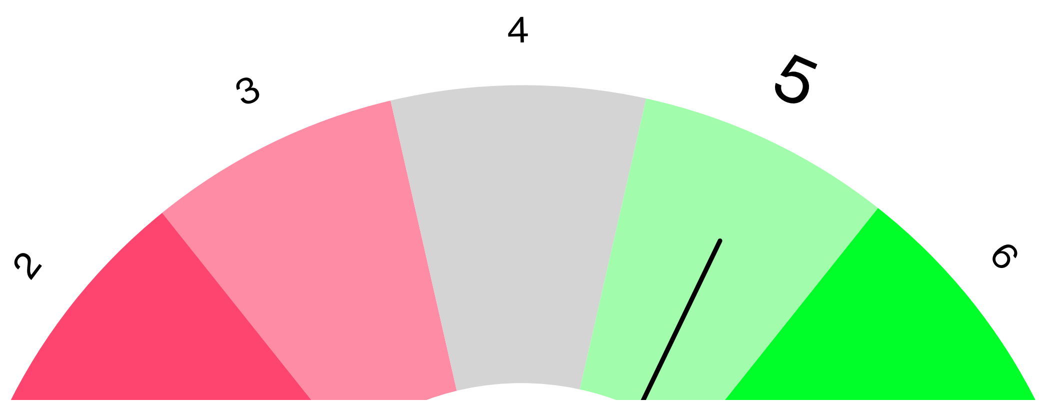
“Each new variant entails the risk of the vaccination progress being undone,” said Ulrich Leuchtmann, head of currency strategy at Commerzbank. “The thoughts of a world post-Covid suddenly become all confused.”

–Malcolm Scott and Simon Kennedy

Got tips or feedback? Email us at ecodaily@bloomberg.net

The Economic Scene

Ticking Over
China's economy slowly expanding for 6th straight month



Source: Bloomberg Economics

China’s economy continued to slow in November with car and homes sales dropping again as the housing market crisis dragged on.

That’s the outlook from Bloomberg’s aggregate index of eight early indicators for this month. While the overall number stayed unchanged, under the surface there was a further deterioration in some of the real-time economic data.

Today’s Must Reads

Thanksgiving binge | E-commerce spending by U.S. consumers on Thanksgiving Day will probably climb to a record, even though sales may not be as strong as initially expected.

Supply chain worries | There's limited evidence from U.S. companies that any major shift in inflation expectations is yet underway despite what economists and President Joe Biden are saying.

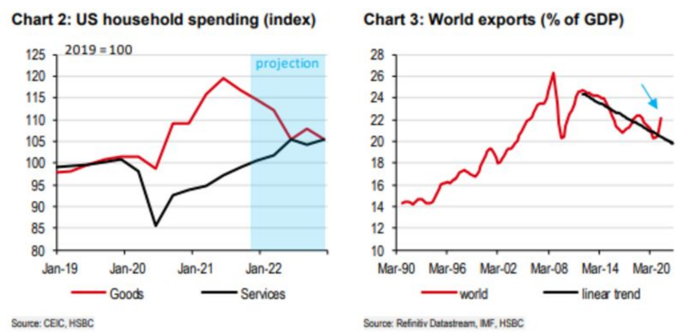
Spending surge | Australian retailers recorded their best month of sales in nearly a year as consumers splashed out on everything from dining out to clothing, taking advantage of the easing of lockdowns.

European stimulus | The future of European Central Bank stimulus is becoming clearer before December's crunch meeting, with its pandemic bond-buying tool on track to be wound down but stay available

Japan stimulus | Prime Minister Fumio Kishida delivered his first extra budget, funding Japan's biggest-ever fiscal package, as he tries to secure an economic recovery before next year's elections.

El Salvador crypto | Bank of England Governor Andrew Bailey said the country's decision to adopt Bitcoin as its currency was concerning because consumers probably will be caught out by its volatility.

Need-to-Know Research



"Faintly in the distance: the contours of a big export slump are becoming visible."

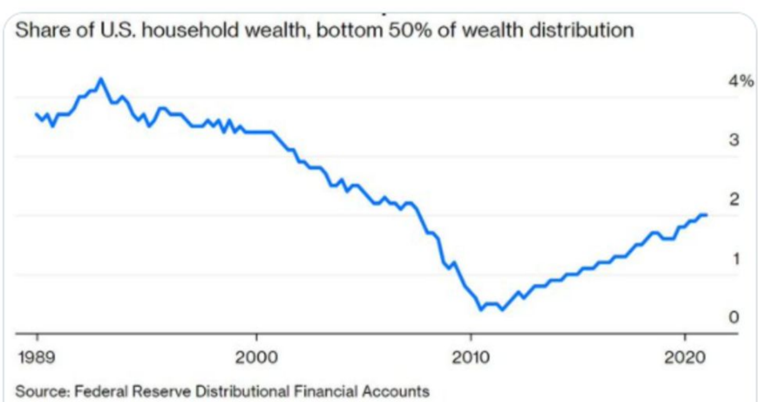
That's the ominous warning from HSBC's co-head of Asian economic research Frederic Neumann in a research note. He notes that export volumes have contracted in recent months and new export orders are declining. And that's set to continue as the shift away from goods demand towards services will knock down shipments from Asia.

"After powering through the pandemic, a trade hangover now looms," he says.

On #EconTwitter

Nathan Tankus
@NathanTankus

I have a new long piece in time for your Thanksgiving weekend reading. Do low interest rates really drive wealth inequality?



crisesnotes.com
Rana Foroohar's strange case for raising interest rates. Does stringent monetar...

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