The second week of February started on a strong note Monday. Global stocks added 0.8% on average across regions, with Japan outperforming. Interest rates were firm, with the US 10-year Treasury yield increasing 1 basis point to 1.17%. Interestingly, the 5 year yield added 2 basis points while the 30-year decreased by 2 basis points. Within commodities, the price of Brent crude oil rallied 2% to close above the $60 mark for the first time in a year.

The pattern is clear: markets are taking comfort in the economic outlook, with a sharp increase in vaccination numbers and progress on US fiscal stimulus, which also means higher perspectives of inflation. Inflation is in focus this week, with the US consumer price index to be published tomorrow. No doubt it will be on the rise due to the weak base-effect of last year, and the annualized measure could reach 1.5% to 1.8%. We are not at the point where markets will start anticipating a pullback of the current monetary stimulus, but elevated valuations are obviously sensitive to interest rates. No surprise that Mr Powell will speak on a webinar shortly after the CPI is released. Inflation number will also be communicated for China, as the country starts its New Year holiday.
Staying on economic data, it is worth noting that Taiwan exports jumped 9% in January, and that Germany’s industrial production was up in December with a strong contribution from car manufacturing. January however should be down due to restrictions. Elsewhere, the news that Tesla had invested $1.5bn in Bitcoins propelled the cryptocurrency at an all-time high of $46000. In the grand scheme of things this amount is less than 1% of the market value of the automaker, but still, it is not obvious to see how this position serves the core mission of the company.

As we write, the morning trading hours of Asia show no euphoria. Most of stock markets are little changed to slightly up, for their last session before the Lunar New Year break. Future contracts on Oil are well bid, up another 0.9%, but interest rates are unchanged to very slightly down, and Gold is up. The US dollar is slightly weaker against major counterparts, which supports commodities.

Today, your CIO Office holds its annual Global Investment Outlook webinar and we are looking forward to welcoming you. With an infinite capacity for an online event it is definitely not too late to register.

There won’t be major economic data today and the earnings season will continue.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD.
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