



**CIO OFFICE MORNING MARKET WRAP – Tuesday 9th March 2021.  
ALSO AVAILABLE ON ALEXA.**

Volatility and rotation continued on Monday. Global equity indices were little changed but dispersion was considerable, with a clear rotation out of growth stocks. Japan was down but Europe was sharply up. The US lost -0.5% on average but the tech sector was heavily sold-off, with the Nasdaq 100, down more than 2%, reaching its lowest since November. Technology combines elevated valuation multiples with a long duration by nature, and is heavily held in portfolios. This combination makes it very sensitive to rising in interest rates. Rates were firmer across maturities yesterday. The US 10-year treasury yield added 2 basis points to 1.59%, while the 5-year yield added 6 basis points to 0.85% and the 30-year closed at 2.32%. The trade-weighted dollar moved up 0.4%. Oil consolidated some its recent gains, with the price of Brent moving down 1.6% to \$68.2. Gold closed at \$1686 per ounce.

The current situation is all about inflation fears hitting an unanimously bullish positioning. As we wrote many times, this is a recipe for volatility, even if ultimately, we are convinced that inflation concerns are temporary, which should limit the stress on rates and unleash upside potential for risk assets. Of course the timing is unknown and it may get worse before it gets better. As a result, for the time being, fundamental

investors should stomach the turbulences and, of course, be ready to seize opportunities potentially generate by market exaggeration. This could happen on both risk assets, typically stocks losing another 5 to 10%, or on defensive assets, for example seeing the 10-year yield being attractive again at 2% or above. Let's be patient and ready to act.

In the news today, the US Fed extended its Paycheck Protection Program for three months, which was expected. More importantly, the final vote on Biden's 1.9tn fiscal stimulus plan should happen on Wednesday at the US House of Representatives.

As we write this morning, the early trading hours in Asia show the same rotation out of growth stocks. Technology is down, which shapes the regional returns: Korea and onshore China are in the red, but Japan, helped by a weaker yen, and Australia, with a heavily cyclical sector composition, are up. Hong-Kong is also positive with a good contribution from its financial sector. It is said that state-related funds from China are stepping up to stabilize stock markets. If anything, interest rates are slight lower by an immaterial one basis point and future contracts on Western stock markets are up by around half a percentage point. Gold and oil are stable.

There is no major economic data release today, we will get consumer price indices Wednesday and the ECB will meet on Thursday.

Stay safe.

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