



## **CIO OFFICE MORNING MARKET WRAP – Thursday 11th March 2021. ALSO AVAILABLE ON ALEXA.**

On Wednesday, Joe Biden's \$1.9 trillion stimulus plan passed the final vote at the US House of Representatives. The most spectacular measure, which can be summarized as "helicopter money", will start in the coming days with \$1,400 checks and transfers starting being sent to eligible individuals. No doubt, the age of magic money is here.

On a close topic, inflation numbers were also released for February in China, slightly higher than expected, and in the US, where the CPI printed a 1.7% year on year increase, exactly in line with expectations. Energy and food prices were major contributors to the rise, so that excluding them, what we call "core inflation" remained soft, at +1.3% year on year, just 0.1% below the consensus forecast. We expect a rise in the coming months but are convinced it should be temporary and so should be the tension on interest rates. Wednesday as well, the US Treasury was issuing 10-year notes: the reception from investors was not over enthusiastic – slightly disappointing actually- but market reaction looked through it.

Indeed, Wednesday was not bad for markets. Global stocks rose 0.4% on average, with the US outperforming. The cyclical rotation continued with a lead from financials and materials. The Nasdaq closed in slightly negative territory, which is not illogical after the 4% surge of the previous day. Interest rates were marginally lower across the curve by around 1 basis point on average between the 5 and 30 years maturities. The price of Brent crude oil went up again, adding 0.6% to close just below \$68. Gold continued to be firmer, trading at \$1730. Bitcoin briefly touched 57,000 in a sharp rally.

The cyclical rotation continues this morning in Asia as we write. Chinese stocks lead a rally, with a 2% gain for onshore indices, closely followed by South Korea and Hong-Kong. The modest rise in inflation helps containing the recent rise of the dollar. This also explains why Japan, which has an inverse relation with the dollar, is lagging with a 0.4% gain. Interest rates are stable, and future contracts on both oil prices and western stock indices are slightly up.

The European Central Bank will hold their monthly meeting today and the debate should focus on the appropriate level of interest rates, “financial conditions” in central bank’s jargon. We do not expect any material decision and may see the announcement of an extension of the current bond-buying program which is scheduled to end on March 2022. With almost one trillion left in “dry powder” in the Pandemic Emergency Purchase Program, verbal guidance will be listened to and Mrs Lagarde, a lawyer by background, will certainly phrase it brilliantly. Elsewhere in the news, China and the US will have official talks on March 18th at a senior level. The US doubled their order of J&J’s vaccine, to build a stockpile larger than the population, and Moderna has started testing modified booster shots, i.e. second doses, which target emerging variants.

Finally, today is the anniversary of two sad events. 10 years ago on this day, a major earthquake hit Japan, followed by a devastating tsunami. One year ago, the World Health organization declared coronavirus a pandemic.

Coming today, apart from the ECB speech at 5.30PM Dubai time, we will get the weekly jobless claims from the US at the same time and the OPEC Oil Market Report.

Stay safe.

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