CIO OFFICE MORNING MARKET WRAP – April 12th 2021. ALSO AVAILABLE ON ALEXA.

Last week was positive on all asset classes. Robust economic data supported cyclical assets, with US stocks in particular printing a new record high. Defensive assets were also sought after as the minutes of the Fed’s FOMC confirmed a dovish and patient stance. This was the ideal situation for market participants: enough growth to boost earnings, but enough monetary support to justify high multiples.

Over the weekend, Federal Reserve Chair Jerome Powell made an unusually upbeat economic assessment in a media interview. He sees the US economy at an inflection point, with stronger growth and job creations ahead. He mentioned the virus spreading again as the key risk against this scenario. In the current unstable equilibrium, this optimistic statement could reignite concerns about the future trajectory of the central bank policy.

As we write this morning, markets in Asia are weighing the situation and show a mixed picture. With the dollar ticking up, most of regional emerging stock markets are in the red. China and Hong-Kong underperform, down around 1.5%, despite the rebound of AliBaba after the company received a record $2.8bn antitrust fine – as we wrote yesterday, this is seen as the positive removal of an uncertainty.
China financial markets are paradoxically suffering from the fact that the recovery started there much earlier than anywhere else: as policy support is progressively removed, growth rate will normalize to trend, while other regions, under stimulus steroids and starting from a lower base, look temporarily more attractive. Japan stocks and futures on Western equity indices are also marginally down. Interest rates are stable, and so are future contracts on Oil this morning. Bitcoin has crossed the $60000 mark for the first time.

The week ahead will combine economic data, including China’s GDP growth for Q1 in particular, with the start of the earnings season for US financials. We will closely watch the virus developments as infections have stopped declining in the US in the recent days. However, the trend remains positive in the UK and vaccination numbers are up in the Eurozone.

Stay safe.

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