



CIO OFFICE MORNING MARKET WRAP – Sunday February 14th, 2021. ALSO AVAILABLE ON ALEXA

Stocks closed at new all-time highs both in the United States and in the emerging markets, with the S&P 500 and the Nasdaq Composite gaining 1.2% and 1.7% and the MSCI Emerging Market Index 2.3% for the week respectively. The 10-day winning streak in global equities was driven by positive corporate news, improving virus trends and high expectations for US stimulus plans.

The reflation trade gained steam, anchored by the conviction that robust growth will support the rally in risk assets, including commodities. Brent crude closed 5% higher in the five days through Friday and US 10-year Treasury yields ended the week at 1.208%, a level last reached almost a year ago. Mr Powell underscored the need for more fiscal stimulus and continued monetary support until full employment is reached. He said that we are still “very far” from a complete recovery and that it could take “many years”. Although there is more and more debate about whether so much

money thrown at the economy as well as the government's determination to kick start it may eventually spur inflation, Mr Powell's words showed no sign of concern, nor did Treasury Secretary Yellen's, when she said that "we have the tools to deal with that risk if it materialises".

So far, economic data has supported the case for muted inflationary pressures, with January US core CPI basically unchanged for the second straight month. Yet, investors seem for now to disagree to an extent. Market-implied measures of US inflation have reached north of 2.2%, touching levels last seen in 2014 and crude prices have rallied since November 2020 with Brent soaring past \$60bbl. Some investment houses are calling a new commodity super-cycle, driven by tight market conditions and chronic underinvestment in oil exploration and production. The view that commodities will be coming back to life ties in with growing consensus about expected dollar weakness. In a recent interview, the legendary hedge fund manager Stanley Druckenmiller said that he has a "very, very short dollar" position versus Asian peers.

On the vaccine front the WHO recommended the use of the Astra-Zeneca vaccine for all adults worldwide, after a series of setbacks for this kind of shot. Covid-19 infection numbers continued to decelerate, with Asia reversing the recent spike and daily new cases moderating in the West, and in particular in the US dropping below the symbolic 100,000 mark for some consecutive days. German schools may be reopening next week.

Bitcoin got a jolt of confidence from Tesla after Elon Musk said the company had invested \$1.5bn in the cryptocurrency and would soon accept it as a form of payment. Bitcoin soared to a new record high to close almost at 48,000 and gain 27% for the week.

The House of Representatives voted to impeach Mr Trump for inciting insurrection, making him the first US president to be impeached twice in history. The process concluded yesterday with full acquittal of Donald Trump as most Republicans remained unswayed by the arguments put forth by the Democrats.

US financial markets will be closed on Monday for the celebration of President's Day holiday. Monday will see the release of Euro area Industrial production figures, Tuesday of Euro area GDP and of the German ZEW Survey, Wednesday of the FOMC minutes, of US Retail Sales and Industrial Production figures, Thursday of the EIA crude oil inventory report, Friday of flash Purchasing Manager Indices in the main developed countries.

On Thursday the US House Financial Services Committee will hold a hearing on the Reddit-fuelled stock volatility, with executives from Robinhood, Melvin Capital and Citadel expected to testify. As for the main earnings releases, we highlight Walmart, AIG, Roku, Baidu, Deere and Barrick Gold. Stay safe.

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