



## **CIO OFFICE MORNING MARKET WRAP – Monday June 14<sup>th</sup>, 2021. ALSO AVAILABLE ON ALEXA**

Markets are pretty quiet this morning, maybe gifting us with a more relaxed, rather than the usual frantic start to the week. Asian stocks are little-changed amidst thin trading, with Australia, China and Hong Kong closed for holiday. US futures have yet to find direction as well. US Treasury yields are inching higher and the dollar is steady.

The G7 meeting held in Cornwall ended yesterday and Joe Biden declared himself “satisfied” with the outcome. Gone are the days when Donald Trump was inflaming divisions, and come has the time for America to be “definitely” back and yet again part of “the club”, to use some of Macron’s words when tossed a question about the role of the US and its allies. The official G7 communique was definitely not short on values, starting from ending the pandemic and vaccinating the world, and carrying on with supporting economies “for as long as necessary”, building a “fairer global tax system”, achieving a “green revolution” with “net zero no later than 2050” and strengthening

“our partnership with others” to “build back better”. The latter is obviously in response to China, backing an alternative to China’s Belt and Road Initiative.

But while declarations of principle maintain their distinct beauty in the fictional world of ideas, divisions amongst the participating leaders must have run deep, mainly driven by the need not to antagonise China and actually to collaborate with its leaders on key areas like climate change. In the end, while a plan was agreed to challenge China’s infrastructure financing in poorer countries, details on funding were not provided.

Can too much of a good thing be a bad thing? The answer would be a resounding yes, whoever we ask, or maybe not, in case we ask about digitisation. As with every new trend and buzzword, especially if technology related, it looks like that people have never enough. Not many ponder about the flipside of rushing to digitise and the related cyberattack threat. For instance, digitising infrastructure has created opportunities for cybercriminals and exposed water, energy and healthcare to unprecedented risks. In mid-May Colonial Pipeline, a pipeline services company fallen victim to a ransomware attack, was forced to shut down for days causing fuel shortages across the Southeast of the United States. It would have been nice if in general digital adoption had been matched by investments in cyber defences, but in reality it hasn’t, which has created the widespread vulnerabilities we are witnessing today. As late as three days ago McDonald was hit by a data hack across different countries which impacted customer and employee information. Some of those customers may have wondered whether a company selling super-cheap Big Macs should also boast an equally cheap IT security system.

Bitcoin, where art thou? It is funny how one can tell whether a cryptocurrency is making new all-time highs, or actually crashing, by the number of dedicated headlines across media. Currently bitcoin newsflow has become a bit more rarefied. Is it because the cryptocurrency is in no man’s land? Most likely. After crashing 50% from its all-time highs, it is now trading in a range and this does not seem to be whetting up that much of an interest. And the waves of fear and greed driving crypto swings do not help either. On the way up greed comes to a pitch, while on the way down it is fear’s turn, simply because each one participating hopes of being able to buy low and sell higher amidst lack of fundamentals driving decisions. Actually something more than absolutely no framework seems to be available.

Analysts studying the bitcoin's futures curve and its relationship with market phases hold the view that the current backwardation, whereby the spot price is above that of contracts with future expiries, is not going to be conducive to a new bull market. Usually bullish conditions are accompanied by a curve biased in the opposite direction, hence until that happens more downside cannot be ruled out. In that case, it would be a new bout of fear leading as per our guess to capitulation and possibly the start of another massive wave up. In that case, it would be a new bout of fear leading as per our guess to capitulation and possibly the start of another massive wave up.

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