



CIO OFFICE MORNING MARKET WRAP – Monday 15th February 2021. ALSO AVAILABLE ON ALEXA.

Asian stocks are advancing, alongside US futures ticking higher on this President's Day holiday, which sees the cash markets closed in the United States. The past week was marked by two prominent figures, Donald Trump, acquitted of charges of incitement of insurrection for the Capitol Hill events and Mario Draghi, sworn in as Prime Minister in Italy and in the spotlight being expected to lead the country out of the woods.

The anti-conventional ex-president left office with his image badly tarnished, according to some, or rather ready to prepare his come-back as he still holds sway on a large base, according to others. 'Super Mario 2' on the other hand, will face the daunting task of solving both a virus and an economic crisis, trying at the same time, in spite of an already pretty full plate, to make contributions to the cause of a closer integration of the euro area countries.

The week, also, provided clues as to the durability of the unfolding bull market. The current environment, marked by easy fiscal policy and a supportive Fed, is the best possible for risk assets, as long as Jay Powell is not forced into some form of tightening due to rising inflationary pressures. The lack thereof, as signified by the January CPI

report, is then an encouraging read-across, suggesting that this favourable state of affairs is still set to continue. Behavioural factors, that is exuberant sentiment and positioning, are no longer that supportive, though. Hence, the real risk is that investors will flock to buy aggressively on the optimistic scenario, driving a second risk asset melt-up, fully pricing in stimulative policies and hurriedly closing the door to further upside. Joe Biden, in his first conversation with President Xi, seemingly following in Donald Trump's footsteps, mentioned "coercive and unfair economic practices" as well as "human rights abuses".

At the same time, he said that there is commitment to "pursuing practical, result-oriented engagements". There seems to be willingness on both sides to restart talks to find some common space given each other's policy intentions. The biggest hurdle to smoother mutual relations remains Taiwan, which Beijing considers part of its territory. The first official meeting between the US and Taiwan under Biden must have not gone down well with Mr Xi. The pandemic has proven to be a party-damper even for the romantically inclined. According to the National Retail Federation survey, on Valentine day, celebrated yesterday, Americans were expected to spend on average \$32 less than budgeted in 2020, with less than one-quarter of respondents planning a romantic evening out, a low-point in the survey history. Love may be in the air, though confined in the four walls of homes.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
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