



## **CIO OFFICE MORNING MARKET WRAP – Thursday March 18<sup>th</sup>, 2021. ALSO AVAILABLE ON ALEXA**

The so much awaited big Fed day ended with big market moves, following the conclusion of the FOMC meeting where chair Powell basically reiterated the Average Inflation Targeting approach. Stocks reversed losses to close near all-time highs, long-dated Treasury yields retreated, the dollar slumped and gold rebounded strongly. The outcome of the Fed meeting can be best summarized as 'no change'. Mr. Powell left policy rate, outlook and asset purchases unchanged. His job was once more to drive home the point that the funds rate will be kept between 0% and 0.25% throughout 2023. The Committee acknowledged a strengthening of the recovery, raised the projection for 2021 GDP substantially and confirmed that the bump in inflation this year would be temporary. The upgrade to the outlook with no inflation and the liquidity tap full-on promptly spurred stocks and gold higher. Investors could not have wished for better words from Mr. Powell.

The oil price curve, now highlighting an extremely tight market, had in the past, when at current levels, indicated potential inflection points for crude oil. It is maybe not a coincidence that the International Energy Agency yesterday dashed hopes of a new oil supercycle amidst large spare capacity and plentiful supply. OPEC production curbs are keeping prices artificially high, with demand expected to reach pre-pandemic levels not before H1 2022 according to the most optimistic projections. The booming recovery is unlikely to last long enough to trigger the super-cycle forecast by some renowned investment houses, hence oil's destiny will ultimately remain tied to the investment decisions of shale producers.

Airline companies could soon be rediscovering the thrills of reopening economies and normalizing travel patterns. The European Commission proposed that a 'digital green certificate' is created that allows EU citizens to travel to other member states by exhibiting proof of vaccination, a negative Covid-19 test or of recovery from the virus. The EU seems also to be minded to lift most restrictions by the summer holiday-time. Less of a soft touch will be exercised towards vaccine manufacturers with facilities on the European territory. The euro area could resort to emergency legal powers to impose export curbs, secure vaccine supplies and accelerate its inoculation campaign. If Ms. von der Leyen, the European Union's president, made tougher statements, without doubt Donald Trump made the most surprising ones, as he recommended to his followers to get the Covid-19 vaccine, being 'a great vaccine' and a safe one.

Morgan Stanley is going to lead the major institutions by offering wealthy clients with high risk tolerance access to cryptocurrencies via three funds. The company's CEO James Gorman was one of the first Wall Street professionals to give credence to digital assets as not being just a fad as early as 2017. The splash of central bank liquidity and limited crypto-supply should be a recipe for future stellar returns. Yet, one could wonder what will happen when some of that liquidity is going to be withdrawn, especially as cryptocurrencies can be hardly considered a store of value due to their inherently high volatility. Stay safe.

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