Thursday was broadly positive for most asset classes. Global stocks added +1.4% on average, with an outperformance from Asia while the US closed on a +1.3% gain. Interest rates were broadly unchanged, with a minor steepening after the massive flattening of Wednesday. The US-treasury yields by maturities closed as follows: 1.92% for the 2-year, 2.14% for the 5-year, 2.17% for the 10-year and 2.47% for the longer 30-year. Oil prices rallied again, with one barrel of Brent crude oil closing just below $107.

Hopes for material progress in negotiations between Ukraine and Russia vanished yesterday as the Kremlin called the positive FT report as “wrong”, and as President Zelenskiy confirmed difficult talks. Meanwhile, heavy fighting continues and the humanitarian crisis deepens. Russia is being increasingly isolated on the diplomatic front, and had to cancel a UN vote on their proposed humanitarian resolution on
Ukraine due to lack of support. Joe Biden will have a phone call with China’s Xi today in an attempt to convince China to use their influence to help end the conflict, or at least not to support Russia. The pentagon said that Vladimir Putin may threaten to use nuclear weapons if his objectives in Ukraine are not reached quickly enough. There was however a good news on the financial front: Russia made good on payments to foreign holders of two dollar-denominated bonds. $117 million in coupons due were sent to agent Citi through JP Morgan, according to people familiar. Growth downgrades continue, with the latest being a warning from the IMF about the impact of the war, and inflation expectations keep on rising, prompting action from central banks. Yesterday the Bank of England expectedly raised interest rates by 25 basis points and confirmed its intention to continue. The Bank of Japan is meeting today but is expected to stay on hold. The index for Japan’s consumer inflation in February was out this morning and at +0.9% year-on-year. the situation is not as critical as in the West.

Coming to Asian markets, the picture is mixed as we write this morning. After a +15% gain in two days, equities in Hong-Kong are giving back -2.4%. Korea and China’s domestic stock markets are modestly lower while Japan is marginally higher. Interest rates are fluctuating in very narrow ranges, but oil prices are rallying again. The price of Brent crude oil is up +2.3% to $109 as we write.

There is no major, market-moving data release today. Markets should remain extremely volatile and it is wise to avoid short-term speculation and outsized leverage. We keep on expecting a material de-escalation in the coming weeks which should start unlocking the fundamental upside potential that we see for the medium term, but visibility remains very low.

Stay safe.
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