



**CIO OFFICE MORNING MARKET WRAP – Thursday 21st January 2021.
ALSO AVAILABLE ON ALEXA.**

The Asian markets have been rising for a third straight session this morning, led by Japan and South Korea as global growth expectations are positively affected by more forthcoming US stimulus. Equities closed higher yesterday on Biden's inauguration day both in the US, Europe and in the Emerging Markets, with technology stocks standing out in spite of increasing focus on the so-called rotation trade into more cyclical sectors. Treasuries and the dollar moved in a holding pattern, while gold and Brent crude recorded solid gains. Netflix jumped 13% as investors welcomed a large increase in subscribers and Morgan Stanley profits boomed on better trading and fundraising.

Donald Trump pardoned 73 individuals and commuted sentences for 70 more, granting clemency up to the last hour of his term, and full pardon to his former political aide Steve Bannon. Joe Biden, sworn in as 46th president of the United States, is expected to unwind many of his predecessor's policies and measures, including the withdrawal from the Paris Agreement and the World Health Organisation and the construction of the wall on the Mexican border.

While some measures like imposing masks on federal property bear more of a symbolic significance, Americans will be looking forward to the executive orders aimed at addressing the economic crisis, like the extension of moratoriums on student loan payments, foreclosures and evictions. The new president promised to ‘get right to work’, aware of inheriting a confluence of crises greater than faced by many of his predecessors.

China will most likely continue to be a challenge and policy won’t easily reverse course, although attempts at normalisation of relations will follow. A confirmation of this came on Tuesday when Janet Yellen said that the US is ready to take on China’s “abusive” trade and economic practices. She also advocated for more public expenditure at the Senate confirmation hearing, underscoring the low level of interest expenses even as the debt level keeps on going up. Such relentless support of more spending and debt must have excited commodity traders, bidding copper and other commodities higher, which in turn further down road should inevitably be boosting inflation and Treasury yields.

On the other side of the pond Europeans had less reason for enthusiasm, following Angela Merkel’s decision on Tuesday evening to prolong the lockdowns until mid-February. A measure of markets’ current speculative fervour has been provided by the performance of the Goldman Sachs non-profitable technology index, a gauge of money-losing tech companies, which has been rising five-fold since an all-time low in March 2018 and has also climbed five times as much as the S&P500 Technology Index.

Stay safe.

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