



CIO OFFICE MORNING MARKET WRAP – Tuesday 23rd February 2021. ALSO AVAILABLE ON ALEXA.

Fundamental news are good, combining slowing infections, rising vaccinations, resilient economies and increased policy support. Market reaction is unambiguous: yesterday's session was overall negative on everything except for the cyclical icons such as commodities and related stocks. Global equities fell 0.8% on average in developed regions and 1.7% in emerging, with technology and utilities the worst performing sectors but positive returns from energy, materials and financials. Rates were slightly higher across the curve in a bear-steepening move: the US 5-year Treasury yield added 2 basis points to 0.60%, the 10-year +3 bps to 1.37% and the 30-year +5 bps to 2.18%.

Commodities were the star of the day, with the Bloomberg commodity index rising to its highest level since 2013. The price of Brent crude oil moved up 3.7% to close above \$65, but the rally was broad, including copper, corn, sugar and even Gold showing a surprising –but welcome- rebound.

In the US, Biden's \$1.9 trillion fiscal stimulus plan has started its congressional journey well, by passing in the House without a single Republican voting for it. Next step is the Senate and the plan should see some adjustments there, probably unsubstantial in terms of amount. Janet Yellen said that the administration would consider at some point boosting the corporate tax rate to 28% and hiking the capital-gains tax. She also surprisingly dismissed the idea of a wealth tax for the rich. She also said that the market for a 100-year Treasury bond would be "tiny".

In Europe, the ECB is also carefully monitoring the government debt market. President Lagarde reiterated her pledge to keep financial conditions favorable, which means, allowing governments to borrow a mountain of debt for ridiculous yields. In Brazil, Petrobras's stocks plunged more than 20% after President Bolsonaro replaced its CEO on a dispute over fuel prices. Finally, Bitcoin and crypto currencies in general had a tough day yesterday, between rising interest rates and a tweet from Elon Musk expressing his view that the price is too high.

As we write this morning, most Asian stocks modestly advance with Hong-Kong outperforming, followed by Australia. Japan is closed for a holiday. Futures contracts on western stock markets and interest rates are steady. Oil remains well supported with futures adding another 1%.

Today Jerome Powell will testify before the congress and we will get the US consumer confidence at 7PM Dubai time.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
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