



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

From a campaign idea to a project: the Biden administration has confirmed preparing a second economic plan, targeting infrastructure, carbon emissions and inequalities, with an astonishing tentative amount of \$3 trillion. Spending seems to know no limit, but this time, partnerships between private and public sectors would be involved, and part of the fiscal burden could be funded by higher tax rates for corporations and wealthy individuals. Magic Money will be heavy on the agenda today with Fed Chairman Powell and Treasury Secretary Yellen making a joint testimony before the US House Financial Services committee. Based on their prepared speeches, the former should say that the pace of the recovery is stronger than expected, but that it remains incomplete, needing policy support. The latter should emphasize the benefits of fiscal spending and provide more color on tax policy. The general direction should not be a surprise, but every single word could potentially move markets, as it happened in 2013 in similar circumstances which started the so called “taper tantrum”.

With regards to markets, daily price variations were contained on Monday. Global stocks fell 0.1% on average, with the US closing up 0.5%, helped by an overnight rally in the Nasdaq. Japan was the most negative contributor. Europe and Emerging

Markets were roughly unchanged, with the exception of Turkey, where both the currency and the benchmark stock index tumbled by around 10%, following the shock of the replacement of the Central Bank Governor. Interest rates were overall stable and marginally lower in the Dollar world. US Treasury yield shed respectively 2 and 3 basis points on the 5 and 10 year maturities. This looks encouraging for this week's government bonds auctions. The price of Brent crude oil moved up 0.1% to close at \$64.6 and gold was little changed, trading around \$1740.

Elsewhere in the news, the European Central Bank delivered on its promise to increase its bond purchases in order to cap the rise in interest rates. Microsoft is said to be in talks to buy the video game chat community Discord. New Zealand is taking measures to limit the surge in property prices, which is seen as a first step before monetary tightening.

As we write this morning, Asian markets do not reflect the positive US close of last night. Most stock indices are lower, around -1.5% in both China and Hong-Kong, -0.5% in Korea and unchanged in Japan. The mood is similar for future contracts on western stock markets and on oil prices. The 10-year US Treasury yield continues to edge lower, currently at 1.66%.

Today will be dominated by central bank officials in the US and in Europe. Parliamentary elections will be held in Israel. The US Treasury will auction bills and notes on 52 week and 2-year maturities, a prelude to the important 7-year auction scheduled on Thursday. Turkey should also sell bonds at 4PM Dubai time, in a difficult context where Lira interest rates are around 18%. Later this week, we will get flash PMIs which should be positive in the US but not in Europe, still struggling with rising virus cases and an erratic vaccine roll-out. On Friday, February US personal income and spending data will be released.

Stay safe.

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