



## **CIO OFFICE MORNING MARKET WRAP – Wednesday February 24<sup>th</sup>, 2021. ALSO AVAILABLE ON ALEXA**

Tuesday started with some volatility but ended quietly when market participants found comfort in the two awaited items of the day: Jerome Powell's speech and the US consumer confidence. On the latter, the Conference Board index increased from 88.9 in January to 91.3 in February with a positive contribution from the labor market component. This is a modest but positive pick-up, in-line with a scenario of a more marked recovery from Q2.

With regards to the testimony of the Fed Chairman, the message was unambiguous: the central bank is nowhere near starting to reduce the current extremely accommodative stance. Mr Powell reiterated that the economy is "a long way from their inflation and employment goals", and stated that it hadn't made substantial further progress over the past three months. Looking forward, he noted that the economic outlook depends on the course of the pandemic – what a surprise- and

reiterated that officials will anyway give “advance warnings” to the market way before any change in policy. Finally, Powell acknowledged that inflation will pick up this year, but argued the rise will not be large or persistent. He said that higher bond yields reflect economic optimism, not inflation fears, and concluded with cautious expectations for a return to more normal activity later this year.

Bottom-line, the message combined support and hope. It was well received and markets recovered from their earlier losses. Global stocks were little changed on average, across developed and emerging regions. Interest rates made a pause: the US 10-year Treasury yield lost 2 basis points to 1.34%. The price of Brent crude oil moved up 0.2% to \$65.3.

The early hours of trading in Asia show some pressure on risk assets, as interest rates and the US dollar are slightly on the rise: as often after a central bank communication, good fundamental news put pressure on markets. After a positive opening, most of Asian stocks are down with Hong-Kong and onshore China underperforming, retreating by close to -2%. Hong-Kong could be considering raising stamp duty on stock trading. Gold continues to be relatively steady, and Bitcoin recovers from an earlier 2 day rout. There is no major economic data today, we will look at the weekly crude oil data from the EIA. Stay safe.

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