



CIO OFFICE MORNING MARKET WRAP – 24th June, 2021. ALSO AVAILABLE ON ALEXA.

Global markets were hesitant Wednesday. Global stocks fell 0.2% on average: the US were unchanged but the technology-rich Nasdaq was at record high, Euro area was down -0.7%, while emerging indices were slightly positive. Interest rates were marginally firmer. The 10-year yield added 2 basis points to close just below 1.5%. Energy continues to shine: the price of Brent crude oil showed no weakness, gaining another 0.5% at \$75.2. Prince Abdulaziz bin Salman, Saudi Arabia's Energy Minister, said that the OPEC+ has a role in "taming and containing" inflation, which suggests that next week's online meeting may consider continuing some relief on output. The trade-weighted dollar moved down 0.4%, and crypto assets had another rocky day, starting with a rally and ending lower – bitcoin currently trades around \$32700.

On the economic data front, the message from flash PMIs was pretty clear: growth is very strong in the developed world, with diverging trends giving more color on the sequence of the current phase of the recovery. Regionally, the US decelerates but remains at a fast pace, while the Euro area accelerates from lower levels. Sector wise, services are better oriented than already strong manufacturing. Overall, this is consistent with the scenario of Europe following the US trajectory with a lag, and of services benefitting from reopening. Market participants also had to digest a series of comments from two Fed officials, this time leaning on the hawkish

side: the Atlanta Fed chief Bostic expects tightening to start at the end of 2022 and tapering in the coming months. His views were echoed by Dallas Chief Kaplan who indicated that the US economy will likely meet the threshold for tapering “sooner than people think”. This can be seen as a subtle communication exercise to make sure that markets understand the change in narrative, without being excessively shocked, as chairman Powell is more on the dovish and “open minded” side. The Bank of England will also meet today for their monthly decision.

In Asia this morning, staying on central banks’ activity, China unexpectedly boosted its short-term liquidity supply to banks with a net injection of 20 billion yuan. This move, which hadn’t been seen in 4 months, pushes short-term interest rates lower, a positive for equities, and a potential support to economic stability ahead of the Communist Party’s 100th birthday next week (on 1st of July). Another positive is the news that China Evergrande arranged funds to repay their bonds due at the end of the month. Stock markets are overall steady as we write, slightly up across exchanges. Interest rates, the dollar and oil futures show no material action.

Today we will have a look at Germany’s IFO survey and on the results of the Fed’s stress test on US banks.

Stay safe.

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