



CIO OFFICE MORNING MARKET WRAP – May 25th, 2021. ALSO AVAILABLE ON ALEXA.

The international week on global markets started well this Monday. Global stocks added 0.4% on average, with US indices ending their session on a strong note at +1%. Interest rates lost 2 basis points across long maturities, with the 10-year US treasury yield closing at 1.60%. Meanwhile, the price of Brent crude oil had a sharp gain of 3%, after Iran highlighted gaps in the negotiations aiming at ending US sanctions. Gold was more or less unchanged, and the trade-weighted dollar moved slightly lower.

There were two drivers behind this positivity. First and foremost, Fed officials Brainard, Bostic, George and Bullard, in various speeches, reiterated the patient stance of the institution: price pressures are transitory, linked to bottlenecks and supply shortages. It will continue in the coming months but doesn't require any change in the current policy. The script is known but markets appreciated the coordinated choreography, especially as we will get the US core PCE number later this week. Second, the crypto complex had a strong rebound after last week's panic. It appears that Elon Musk is joining others in an initiative to standardize energy-usage reporting from crypto miners – the carbon footprint of Bitcoin is indeed the key reason of the U-turn of Tesla on the leading token. A greener Bitcoin would clearly be a positive for institutional adoption. However, a transition towards renewable energy sourcing for miners looks complicated and could take years. Easier tweeted than done.

Elsewhere in the news, the EU is about to sanction Belarus for the forced landing of a Ryanair plane to arrest a blogger. Amazon may announce today a deal to buy legendary Hollywood studios MGM for a massive price tag of \$9bn. Large acquisitions are not the norm for the e-commerce behemoth, the latest being Whole Foods in 2017. On the virus front, the difference between the West and the East is confirmed. The former is enjoying decreasing cases, with infections in the US now at the lowest in more than a year, and with good numbers in every country with good vaccines roll-outs. The latter is still struggling: doubts arise on the ability of Japan to hold the Olympics, and Malaysia is seeing record infections.

As we write this morning, the mood is good in Asian markets' morning session. Stocks are rising both locally and on Western future contracts. Japan, Hong-Kong and China outperform, with the tech sector following the US higher, helped by the Fed and the crypto relief. Oil prices are firm and interest rates are stable.

Stay safe.

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