Last week was volatile. It started with risk aversion, fueled by the growth concerns from the delta variant, but ended much better, with strong corporate earnings in particular supporting risk assets. Looking forward, the delta variant is still spreading, and we will get this week an avalanche of quarterly results as well as key data and event. Volatility should not abate.

On the virus front, France and Italy are rolling out new restrictions built around the EU covid green pass to try to limit the transmission of the vicious delta variant. Some places will simply not be accessible to people who cannot prove that they are either vaccinated or have just tested negative to the virus. The measures are unpopular and considered by many to test the limits of democracy, however they reach their goal: France and Italy have both reached over the week-end the bar of 100 doses administered per 100 people.
On the earnings front, so far the season exceeds expectations in both the US and Europe by a wide margin, and this week will see tech leaders such as Alphabet, Apple, Facebook and Amazon reporting their numbers. The tech sector has recently outperformed, helped by lower interest rates and by growth concerns taking a toll on reopening and cyclical segments.

As we write this morning, Asian markets are dispersed. Japanese stocks are jumping, catching-up on the positive end of last week after two days of holiday. Australia is also up and Korea only marginally down. By contrast, China onshore and Hong-Kong stock markets are sharply down, losing close to -3% as we write. China’s crackdown on tech companies only intensifies, and extends to the education segment as authorities intend to restrict commercial activities in the field: companies teaching school curriculums have to become non-profits. Pressure is not only domestic: the US and China will hold high level talks today which could see some tensions, around Hong-Kong and Xinjiang, and the UK aims at removing a state-owned Chinese nuclear energy company from all future power projects.

Futures indices are slightly down from high levels on Western stock markets and on oil prices. Defensive assets are sought after, with the US 10-year Treasury yield down to 1.26% and gold steady above the $1800 mark. Finally, the crypto complex is having a good run: bitcoin is back at $38000 and all major tokens are in the green.

Today will bring interesting corporate quarterly numbers. Luxury powerhouse LVMH should release a spectacular year-on-year revenue growth. It could be well above +50%. Tesla could see some negative impact from the current shortage in semiconductors, and Michelin will provide an interesting picture on the state of the global economy, through its very broad market segments. Apart from earnings, the Fed policy meeting will conclude on Wednesday and Q2 GDP for the US and Eurozone will be released on Thursday. There is no shortage of potential sources of volatility, but no reasons to be overly concerned for long-term investors. Stay safe.

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