



CIO OFFICE MORNING MARKET WRAP – May 27th, 2021. ALSO AVAILABLE ON ALEXA.

Wednesday was another gently positive day for global markets, as confidence on western economies' reopening supported sentiment. As a result, volatility remained contained and global stocks added 0.3% on average, with an outperformance of emerging regions. Interest rates were marginally higher: the US 10-year Treasury yield increased 2bp to 1.58%. Oil prices were little changed, at \$68.8 for the Brent crude oil, gold went back below the \$1900 mark, and the dollar was stable.

There was no major market moving data but a climate of positivity. Virus cases confirm their downward trend in the West and some stability in the East. In New York, adolescents who take the vaccine will participate in a raffle for a chance to win full funding of four years in college. In France, data from the May INSEE report were the strongest since early 2018, despite the restrictions currently in place in the country. We had our daily dose of well scripted speeches from Fed officials – no doubt, there won't be any surprise and it looks like this constant repetition pays off, as interest rates volatility abates. Implied market expectations for rate hikes are also less aggressive than a month ago, with 2 hikes at the end of 2023 being priced in by forward rates. The key messages are always the same: inflation is transitory, support is here to stay, but the tapering of asset purchases will start being discussed in the coming months. Finally, attention shifts to the fiscal side of stimulus.

Joe Biden's infrastructure plan proposal meets expected resistance from the Republicans. The administration aims at moving it forward in the coming weeks, which looks unrealistic with the current \$2.3tn price tag. A scaled-down version could be passed without Republican support through the budget reconciliation process. In any cases, the implementation will not be as immediate as the pandemic relief package. Staying in Washington, CEOs of top Wall Street banks had their first day of congressional testimony. Questions were tough and the tone was even aggressive sometimes, which is usually how Democrats treat Wall Street in public, once the electoral campaign is over. Topics ranged from executive pay to minority lending and ESG. Finally, the US and China should hold their first trade talks this week, but at the same time, Joe Biden ordered its intelligence agencies to provide clear answers about the hypothesis of a lab in China being the origin of the coronavirus.

As we write, Asian stock markets are slightly negative overall, with Japan, Hong-Kong and Korea losing around -0.3% while China onshore indices are flat, helped by the prospects of trade talks. Oil prices are also slightly down. Volatility doesn't abate in the crypto complex: after the very strong rebound of yesterday, bitcoin couldn't hold above \$40k and is currently around 37k, with most of other coins down in sympathy.

Today, after having a look at consumer confidence in Germany and Italy, we will get a lot of data from the US from 4.30PM Dubai time: the second estimation for Q1 GDP, the associated PCE indices, durable goods orders and pending home sales, as well as the weekly jobless claims. It's a lot of data, but barring a shocking surprise, market impact should be limited. Next week will be more significant with the monthly ISM, PMIs and US job report.

Stay safe.

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