



## CIO OFFICE MORNING MARKET WRAP – April 28th, 2021. ALSO AVAILABLE ON ALEXA.

Stock markets were overall little changed on Wednesday, despite a rise in interest rates. US Treasury-yields added on average 5 basis points from the 5-year to the 30-year maturity. The 10-year yield closed at 1.62%, while the 5-year is at 0.88% and the 30-year at 2.29%. The dollar was firm, up 0.1% against trade-weighted counterparts, gold was slightly down and the price of Brent crude oil moved up 1.2% to \$66.4.

The current market narrative is simple: growth prospects are improving with every single data release, pushing commodity prices higher and generating tension in yields. As central banks' support remains considerable in the short term, the level of interest rates remains reasonable in absolute, and risk assets benefit: their fast earnings growth justifies elevated valuation multiples, even if a consensually bullish position and some intense speculation in some market segments call for short term volatility.

Wednesday was rich in terms of corporate results, and they kept on impressing. We would highlight Google's parent company Alphabet. Quarterly revenues came out at \$45.6bn, much higher than estimates of \$43, which is a +35% year-on-year increase. That is not far from start-up growth for one of the largest companies in the world. With virtually no debt and an abundant cash generation, Alphabet announced a massive \$50 billion share buy-back plan. No doubt, big tech is still in great shape. Microsoft also exceeded the consensus with a +19%

year-on-year increase in sales, boosted by demand from cloud computing and PCs. Share prices were however down as markets were hoping for a larger beat. AMD and Texas Instruments were also impressive. So far the earnings season is generally very strong, and it is interesting to see that stock markets' reaction looks so far a bit subdued. A lot of this growth was priced-in already. However, as analysts tend to always underestimate operational leverage, we should see significant upward revisions to the 2021 consensus which will mitigate expensive valuations.

The OPEC+ technical committee acknowledged the recovery in global demand for oil, despite the current situation in India, supporting the planned million barrels a day increase in output for the next 3 months. The decisional Ministerial meeting scheduled today may be skipped this month as the course of action appears to be consensually agreed already. Today will be rich in terms of US policy: President Biden will formally address the US Congress, and the Federal Reserve will deliver their monthly statement, immediately following their formal meeting. Fed watchers will keep on watching for any sign of a thought about thinking about starting to pull back asset purchases.

As we write this morning, markets are steady in Asia with modest gains across countries, except for Korea, slightly down. Interest rates are stable, above the 1.6% mark for the US 10 year. There isn't much change in the dollar, oil and gold prices.

Today, the potentially market moving news include of course Biden's address and the FOMC press conference, but also another big day for earnings season. We will get numbers from Apple and Facebook, as well as Boeing, GlaxoSmithKline or Sony, to name a few. Tomorrow the GDP for Q1 in the US will be the key data.

Stay safe.

**MAURICE GRAVIER**  
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