



## **CIO OFFICE MORNING MARKET WRAP – April 29th, 2021. ALSO AVAILABLE ON ALEXA.**

First, President Joe Biden, in a formal address to the US Congress, laid out a third stimulus plan. After the already approved pandemic relief measures for \$1.9 trillion, the currently discussed infrastructure plan for \$2 trillion, this would be a \$1.8 trillion social support package, to help American families and reduce inequalities. The plan which will target child care and education in particular, would be mostly funded by higher taxes focused on the wealthiest Americans, through an income tax increase for the top 1% earners and a tax on capital gains. In his 65 minutes speech, he also praised his first months in charge and declared that the US has turned the corner of the pandemic. On foreign policy, he took a relatively tough stance against Russia and China, while being apparently ready to make concessions with Iran.

The other important event was of course the Federal Reserve monthly decisional committee and the following press conference. As expected, both policy and forward guidance were left unchanged. However, the institution is more optimistic about growth and upgraded its outlook. To avoid any misinterpretation, chairman Powell clearly said “it’s not time yet” to talk about tapering, as the recovery “remains uneven and far from complete” and as data have not met yet the Fed’s criteria to do so. He also said that recent increases in inflation were “largely” base effects and temporary bottleneck pressures, which confirms the position that they are transitory. Inflation numbers are anyway not exceeding at all the Fed’s target especially with their recently adopted average targeting. Bottom line, it would require another 2 months of

upbeat economic data at least, to see the Fed starting to be more precise about their tapering plan, at the earliest at their June meeting.

Finally, but crucially, yesterday was not all about US policy but a big day for corporate earnings, especially tech. To focus on the largest, both Apple and Facebook delivered spectacular numbers, well above expectations. Total iPhone sales surged 66% year on year in Q1, and Apple's sales were \$89.6 billion, more than \$20bn higher than what analysts were expecting – which either suggests that Apple is amazing or that sell-side analysts are terrible. The company however warned about the consequences of the current chip shortage for iPad and Macs in particular. Facebook also issued a monster set of numbers with sales rising 48% to \$26.2bn. The reason? Advertising volumes rose by double digit, and advertising prices also rose by double digit. No doubt, big tech is thriving. By contrast, Ford shares fell after reducing their full year forecast and highlighting a severe \$2.5bn hit because of chip shortage.

Back to markets. Wednesday's session was relatively quiet. Global stocks didn't move much and interest rates were very marginally lower. There was more action in energy: the price of Brent crude oil moved up 1.3% to \$67.3 and the US WTI rose to the highest in over a month. The EIA report highlighted recovery in demand, with US refineries working at 85% capacity, which is a pre pandemic level. As we write this morning, Asian stocks and western futures are well oriented. Japan is closed for a holiday but Hong-Kong, Korea and onshore China stock indices are all in the green, also helped by good results from Samsung. The dollar is a bit weaker and interest rates are trending lower after the Fed's press conference. Crude oil extends gains and Gold is steady.

Today we will get the first release of the US GDP report for Q1 at 4.30PM Dubai time. The consensus is for a quarter on quarter progression of 6.6%. We wouldn't be surprised to see 7%. Europe will also publish the always interesting measure of money supply, M3. Companies will keep on releasing earnings, including a great number of European blue chips today such as Shell, Airbus, Total or Unilever, before Amazon, McDonald's and Twitter later in the day.

Stay safe.

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