



CIO OFFICE MORNING MARKET WRAP – 29th July, 2021. ALSO AVAILABLE ON ALEXA.

Asian equities are rising this morning following Beijing's efforts to calm markets and the reassuring Powell's comments at the end of the FOMC meeting. Nasdaq futures dipped as Facebook fell post-market.

US equities were mixed as investors focused on corporate earnings awaiting yesterday's Fed decision on policy rates. In spite of China woes, a most relevant market for the euro bloc, European stocks ended the session close to all-time high, with Q2 corporate announcements boosting sentiment across sectors. Europe's earnings growth is now in a rare sweet spot, comparing best to the US in almost two decades. Equity volatility should be held in check until the strong reporting season comes to an end, supporting markets alongside the liquidity factor. The dollar lost ground and gold gained alongside treasuries following Jay Powell's post-meeting dovish statements.

The Fed chair's message at the conclusion of the July meeting delivered nothing new and nothing done on policy. Rates were left unchanged, as well as the monthly amounts of asset purchases, and the point was made again that inflation has been rising, but "reflecting transitory factors". Jay Powell could not have been more accommodative in his tones - nothing was decided on taper timing, since there is still some way to go to start reducing the massive support for the US economy, though he acknowledged that "substantial further progress was

made on employment and inflation". Markets reacted promptly to this dovish status quo and real yields tumbled to new lows for the year, suggesting that investors see the Fed on hold in spite of future inflation and in contradiction with the more hawkish turn of the previous meeting.

Apple, Google and Alphabet put in a muted performance following their blowout numbers on Tuesday. While concerns about the future trajectory of iPhone growth are at the forefront of investor minds, the outlook for Alphabet seems to be more tied to the economy than a single product. The destinies of the two companies could soon diverge assuming that reopenings continue, boosting Alphabet's advertisement business, while the new iPhones to be released in September could only see minor improvements and be a bit of a letdown. Facebook tumbled in after-hours trading, in spite of yesterday's sales and revenue beats - the company was cautious about the outlook, following Apple's restrictions in iPhone data collections which would limit advertisement growth. Pfizer boosted its sales and profit outlook, mainly driven by its Covid vaccine, on course to become one of the best-selling medicines of all times according to the company's projections. Pfizer said trials are underway for a third booster dose for which it will be seeking regulatory approval.

Progress was made on Biden's infrastructure plan, with a bipartisan group of senators and the White House agreeing on a \$550bn package, a significant step forward to drive the spending bill for roads, bridges and other projects through Congress. The Senate is expected to vote on passage by the next weekend. This is a far cry from the original price tag proposed by Biden in March and was made possible by dropping tax code enforcement to get Republican support. If Senate approves, the measure is almost certain to undergo further changes in the House. Most House Republicans are likely to oppose it, to avoid handing the Democrats a victory for next year's mid-term elections.

Stay safe.

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