GALT & TAGGART
CREATING OPPORTUNITIES

Global Market Watch

Global markets
Periodic
June 18, 2021

What's moving markets

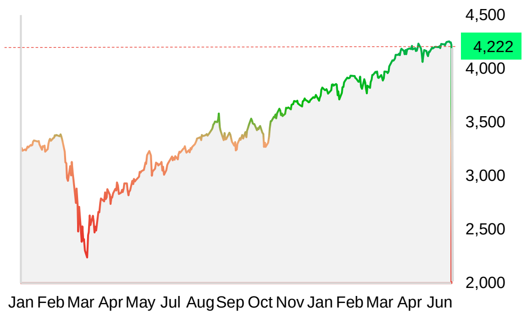
- FED conducted its 2-day meeting on 15-16th of June, keeping interest rates and asset purchases unchanged, and noting that "substantial further progress" would be required before the "taper tantrum" starts (i.e. move to a restrictive monetary policy). However, FED's updated forecasts show two interest-rate increases in 2023 - sooner than previously projected. In addition, US economic growth forecast was revised upwards from 6.5% in March to 7.0% for 2021.

- Annual consumer prices in US increased by 5.0% in May 2021, highest level since 2008 (5.4%). Core CPI, which excludes volatile food and energy prices, rose by 3.8% in May 2021. Markets ignored increased inflationary pressures evidenced by rally into US treasury markets. Yields on 10 year US treasury notes fell to 1.45% by 10th of June, the lowest level in 3 months (please note, bond yields and prices move in the opposite direction). Since then, rates have slightly increased standing at 1.52% by 17 June, reflecting FED's hawkish tone.

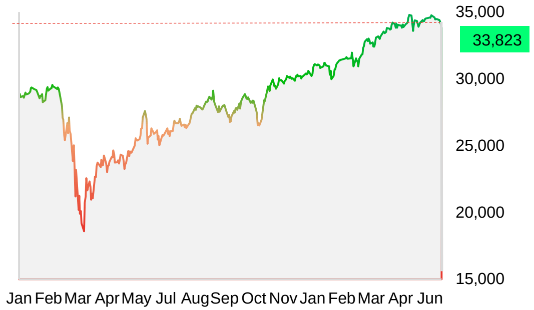
- In Europe too, yields continued decline in June after ECB maintained the pace of its asset purchase programme unchanged. Notably, yield on Greek 5-year bond fell below zero for the first time, with Italy remaining the only Eurozone country with positive 5-year borrowing costs (close to zero).

- On the back of lower yields on US treasuries, global equities hit record high levels in the first half of June 2021. S&P 500 Index was up 1.0% by 15th of June reaching 4,247 level, however, after the FED signalled rate hikes earlier than expected, **global stocks slightly corrected,** with S&P 500 index down 0.6% on the following trading day. Despite intraday volatility, tech stocks outperformed, with technology heavy NASDAQ composite jumping by 3.0% in the same period. European stocks also performed strongly, with STOXX 600 up 2.8% standing at 459.3 by 17th of June.

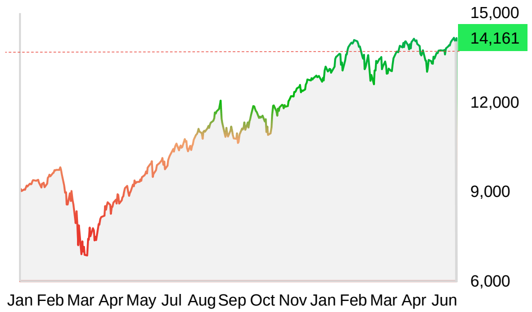
S&P 500



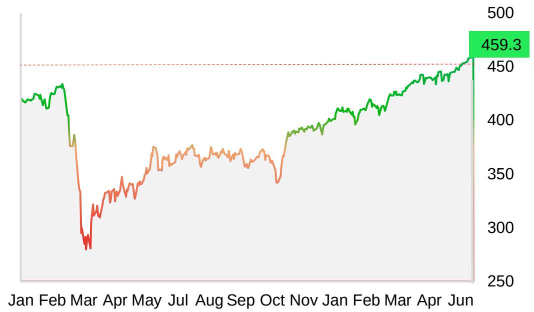
Dow Jones Industrial Average



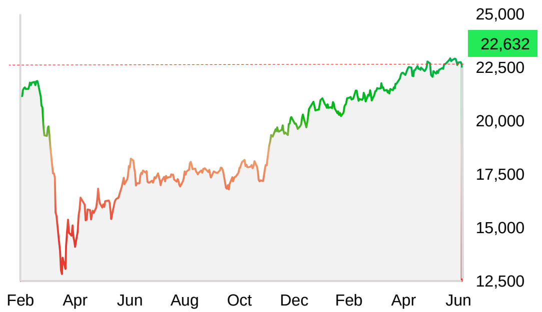
NASDAQ



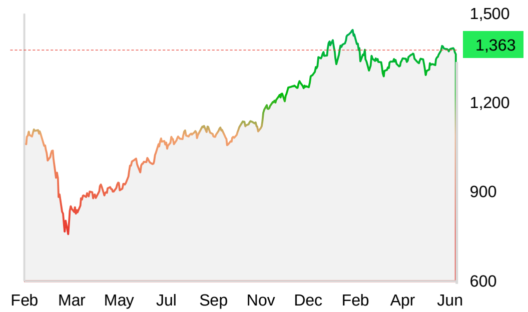
STOXX 600 Europe



FTSE 250



Emerging Markets Index



Source: Bloomberg
Note: Data as of 17 June 2021

- In China, annual producer price index (PPI- selling prices received by domestic producers for their output) reached 13-year high of 9% in May, after posting a 6.8% growth in April. Meanwhile, the annual consumer price index (CPI) rose 1.3% in May (0.9% in April), with the increase driven by higher energy prices. The rise in China's PPI will add to global inflationary pressure as China is one of the largest exporters in the world. After growing in May 2021, China's Shanghai Composite index dropped by 2.5% by 17th of June. The decline is partially related to surprising increase in COVID-19 cases in China's southern province of Guangzhou.
- **Japan's** 1Q21 GDP growth was revised upwards, recording softer contraction at 3.9% vs initial estimate of 5.1%, boosting investor sentiments. Japan's Nikkei 225 index was up 2.0% to 29,441 by 15 June, however after the FED meeting Nikkei 225 corrected, dropping by 1.4% over 15-17 June.

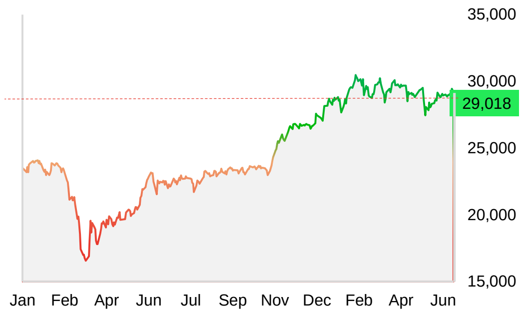
Commodities

- International Energy Agency in its recent report noted that oil demand is expected to exceed pre-pandemic levels by end of 2022 and called wold producers, particularly OPEC+ to "open the taps" to boost oil production and keep the steady world supply. Much of the elevated inflationary pressures globally are stemming from the rising oil prices. The rally in oil prices continued in the first half of June, with WTI crude oil price reaching US$ 71.4/barrel by 17th of June up 7.1%, while Brent crude oil price increased by 5.4% in the same period to US$ 73.1/barrel.
- Gold prices declined in the first 2 weeks of June down 2.5% to $1,859 per troy ounce by 15 June 2021. After the interest rate hike signal from the FED, gold prices plummeted, down 4.6% on 17th of June to US$ 1,773.5/troy ounce. The decline is likely related to improved economic sentiments in US, as the demand on safe heaven assets like Gold declined.

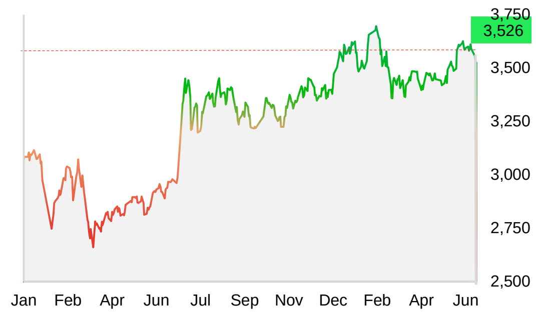
Volatility

- Cboe Volatility Index, VIX, the gauge of fear in S&P market, posted a 5.9% decline in the first half of June, standing at 17.8 by 17th of June.

Nikkei 225

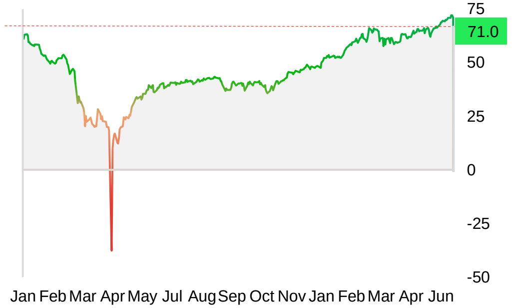


Shanghai Composite Index

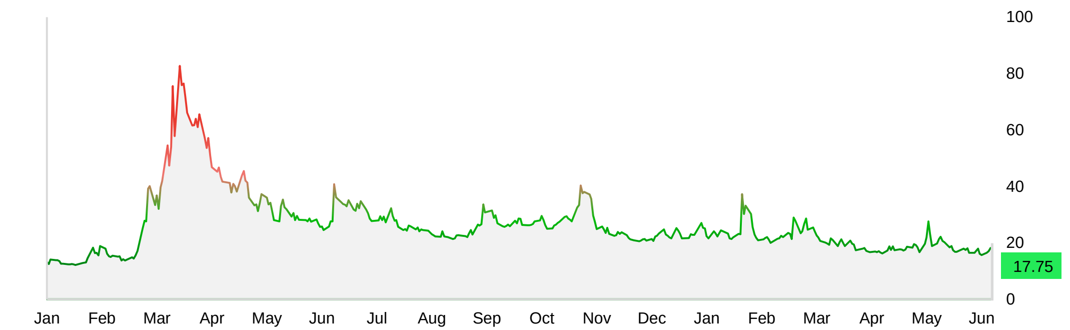


Gold

Oil (WTI)



Vix



Source: Bloomberg
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