

Global Market Watch

Global markets
Periodic
January 18, 2021

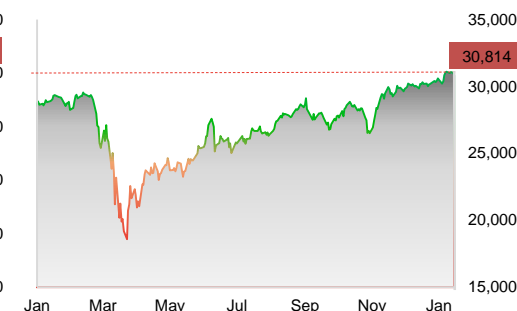
What's moving markets

- The major news of the first week of 2021 was the victory of Democrats in Georgia (US), and as a result control over both, Senate and House of Representatives. For the past couple of years, the Senate was controlled by Republicans, creating a bottle-neck for every change suggested by Democratic-controlled House of Representatives. This also means that president Biden will have a full support, enabling him to carry out a big agenda of legislative changes (healthcare, the environment, etc.). Markets welcomed the news of Georgia win, hoping for more fiscal stimulus from the US and its positive impact on stock markets. Notably, stock markets once again proved their immunity to violence, disregarding riots in US Capitol by Trump supporters in the beginning of the month.
- Another major news of the first days of 2021 was finalization of Brexit. After years of negotiations, the EU and the UK agreed on the terms for Brexit, avoiding a harsh 'no-deal' scenario. Sterling depreciated by 6% against Euro during 2020 and continued slight weakness in the first two weeks of 2021.
- Joe Biden seeks US\$ 1.9tn stimulus for the economy in its first economic rescue plan. The plan includes US\$ 415bn for Covid-19 management, US\$ 1tn in relief spending for households, translating into direct US\$ 2,000 payments to Americans and US\$ 440bn for communities and businesses. Notably, this stimulus package is the double the amount that was agreed in December (US\$ 900bn), on top of the already unveiled US\$ 3tn at the start of the pandemic.
- Bitcoin price has experienced a tremendous growth in December breaking through the \$20,000 level by December 16, 2020 and finishing the month at c. 40% higher. The rally continued in 2021 as well, reaching new all-time high of \$42,000 by January 8, 2021. However, the price of the crypto currency tumbled, down by c. 26% to \$31,000 in a few days, wiping out c. US\$ 150bn from the entire crypto currency market. According to Bitcoin bulls, the rally of 2021 is different from 2017 bubble, because now apart from retail investors, large institutional investors such as Square, MicroStrategy and MassMutual as well as Wall Street billionaires started investing in the coin. In addition, PayPal enabled millions of its customers to buy Bitcoin.
- Joe Biden's fiscal stimulus package was positively received by the markets, however by 15 of January the news faded away. Major American indexes traded in the range of end-December levels during the first 2 weeks of 2021. S&P 500 posted a marginal, 0.3% growth, over the 2-week period. Notably, within the S&P index social media stocks underperformed, after Facebook and Twitter announced banning President Donald Trump. European stocks performed strongly, with STOXX 600 posting a 2.2% growth in the first 2 weeks of 2021, while FTSE 250 increased by 0.6% in the same period.

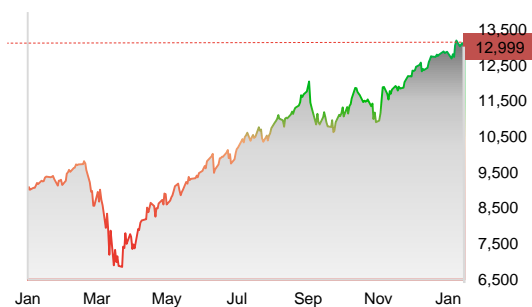
S&P 500



Dow Jones Industrial Average



NASDAQ



STOXX 600 Europe



FTSE 250



Emerging Markets Index



Source: Bloomberg
Note: Data as of 15 January 2021

- 2021 started strongly for Chinese stocks, with China's CSI 300 index surpassing the 2015 highs. Shanghai Composite Index finished the first half of January 2.7% higher compared to end-December level. This comes despite US sanctions and Alibaba-related questions.
- Stocks in Japan continue the rally, with Nikkei 225 index reaching another high, trading at 28,242 the highest level since 1991. Notably, on the back of the increased COVID-19 cases a state of emergency was declared in Tokyo, followed by restrictions.
- Asian shares were further lifted by the Joe Biden's new US\$ 1.9tn stimulus package proposition

Commodities

- The beginning of 2021 has seen WTI oil price surpass US\$ 50 threshold for the first time since March 2020 lows, this comes after Brent crude price topped the US\$ 50 level in December. The uptake in oil prices was supported by vaccine and stimulus news as well as the surprise move by Saudi Arabia, pledging to cut output by 1mn barrels per day in February and March 2021. Notably, growing COVID-19 cases worldwide keep oil prices in check.
- Gold prices firmed during the first 2 weeks of 2021, with gold trading at \$1,828 per troy ounce as of 15 January. Notably, more stimulus and higher inflation expectations supported the gold price.

Volatility

- Despite the mass unrest in the US in the beginning of 2021, Cboe Volatility Index, VIX, the gauge of fear in S&P market, slightly increased, reaching 27.0 by 4 January, however later retreated back to 24.0 by 15 January.



Source: Bloomberg
Note: Data as of 15 January 2021

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