

Global Market Watch

Global markets
Periodic
February 17, 2021

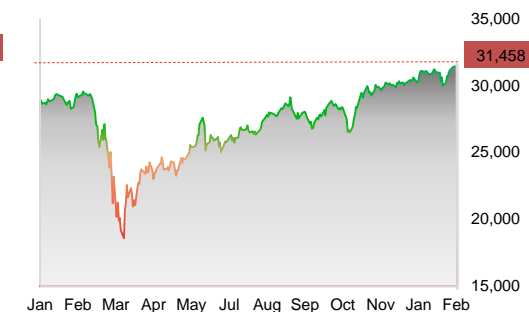
What's moving markets

- US Stocks started February strongly, hitting record high levels, helped by expectations on large fiscal stimulus. Joe Biden's US\$ 1.9tn stimulus package is under discussion in congress (decision expected in March). Despite the controversy on possible inflationary pressures, US Treasury secretary Janet Yellen is urging lawmakers to pass the bill, noting that "US could reach full employment next year" if the stimulus will be passed. Furthermore, Janet Yellen also advised G7 countries' finance ministers and central bankers to "go big" on fiscal stimulus.
- Joe Biden's large stimulus package is strengthening expectations of US economic recovery which will eventually lead to higher inflation in US. Higher inflation expectations have pushed long-term US bond yields to highest levels in a year resulting in steeper US yield curve. The yield on the equivalent 30-year Treasury, topped 2% for the first time in a year, while 10-year note was trading at 1.2%.
- Bitcoin broke US\$ 50,000 threshold for the first time, bringing its 2021 gain to an impressive 74%. The rally was supported by increased interest from Wall Street giants, including BNY Mellon and Mastercard. In addition, on 8 February, Elon Musk's Tesla announced about record high US\$ 1.5bn investment in Bitcoin.
- In Europe, apart from vaccine rollout and lockdown measures, Italy has seen change in its government team. The former president of the European Central Bank, Mario Draghi, has been appointed as the new prime minister. Yields on Italy's bonds fell to a record low of 0.42%, indication of increased investor trust (note that bond prices and yields move in opposite directions). Notably, Italy's first bond sale under Draghi government has seen strong interest from the investors, attracting more than EUR 134bn in orders.
- Major American indexes, started February strongly. In the first 2 weeks of February, S&P 500 rallied, up 5.9%, while Dow Jones posted a 4.9% growth in the same period. Notably, energy stocks outperformed other companies, as strong rebound in oil prices pushed investors into energy stocks. The tech heavy NASDAQ composite increased by an impressive 7.8% in the first half of February. In Europe too, STOXX 600 gained 6.0% in the first two weeks of February, while FTSE 250 advanced by 5.9% in the same period.

S&P 500



Dow Jones Industrial Average



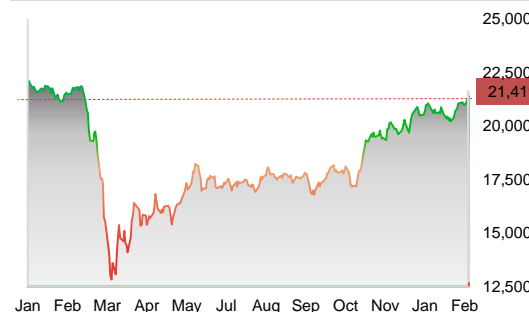
NASDAQ



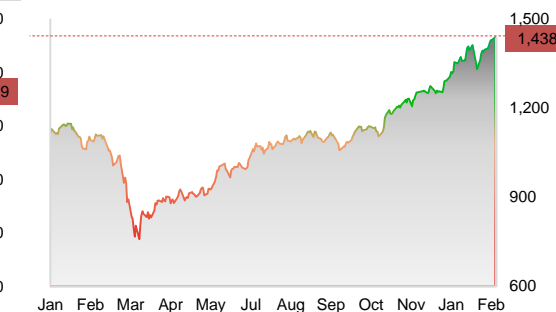
STOXX 600 Europe



FTSE 250



Emerging Markets Index



Source: Bloomberg
Note: Data as of 15 February 2021

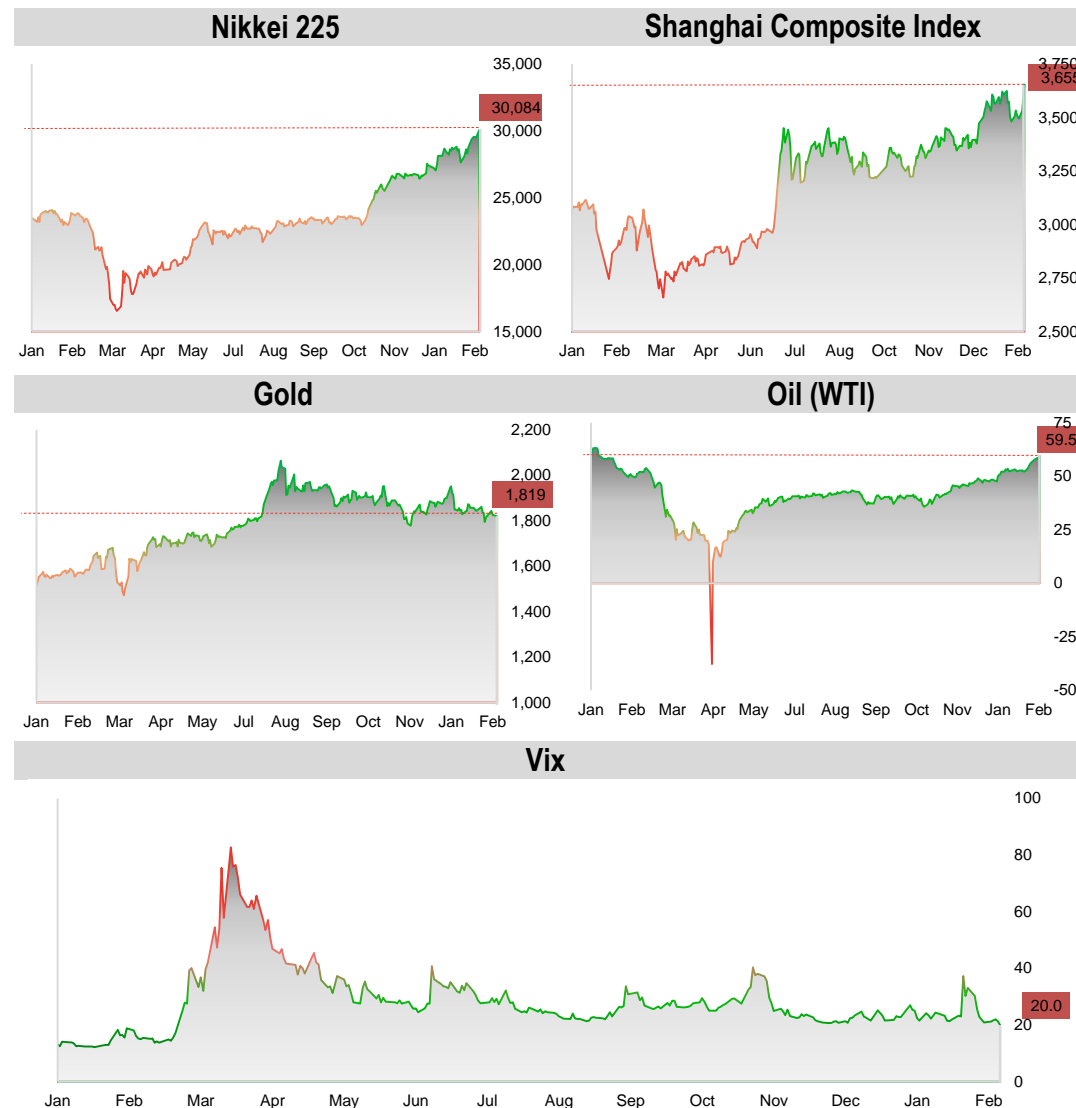
- China's Shanghai Composite Index rallied ahead of the Lunar New Year holiday, up 4.9% in the first half of February.
- The rally in the Japanese stocks continued in February, with Japan's major indexes hitting the highest levels since 1990s. Japan's Nikkei 225 index surpassed 30,000 points by 15 February, which is 8.8% higher compared to end-January level. The rally was backed by strong economic data, with Japan's economy growing by 3% in 4Q20, a strong rebound in activity from COVID-19. Furthermore, the country has seen lower COVID cases and is rolling out of healthcare workers' vaccination in the coming days.

Commodities

- Oil prices continued increasing in the first half of February, with Brent oil surpassing US\$ 60 threshold for the first time in a year. Vaccine-driven economic rebound, large stimulus package and supply cuts from major oil producers are the main reasons behind the rally. Notably, many analysts expect the growth of oil prices to continue in 2021, with some of them being extremely bullish, expecting a "super-cycle" with oil prices surpassing US\$ 100, the level last seen in 2014.
- Gold prices have remained mostly stable in the first 2 weeks of February, with gold trading at \$1,819 per troy ounce as of 15 February, slightly below the end-January level (-1.6%).

Volatility

- Since the hike in market volatility in the last week of January, related to the "short squeeze", Cboe Volatility Index, VIX, the gauge of fear in S&P market has retreated to below 20 level in the second week of February.



Source: Bloomberg
Note: Data as of 15 February 2021

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