GALT & TAGGART
CREATING OPPORTUNITIES

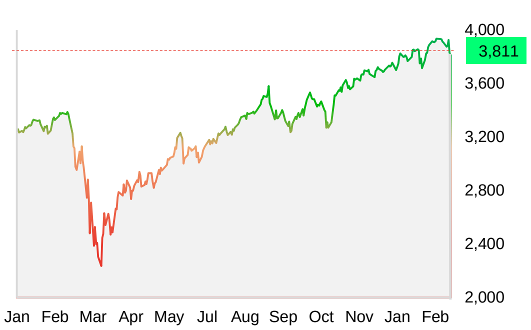
Global Market Watch

Global markets
Periodic
March 4, 2021

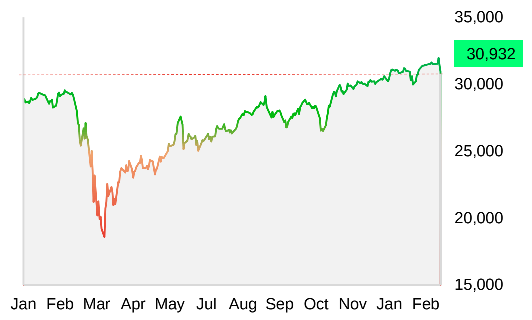
What's moving markets

- In the second half of February global investors closely monitored developments in the US treasury markets. US treasury yields continued the spike in the second half of February on the back of growing inflation expectations supported by economic recovery and Biden's large stimulus package. Notably, 10-year US treasury yield reached a one-year high of 1.6% (note that bond prices and yields move in opposite directions), topping the S&P 500 dividend yield, meaning that bonds are becoming more attractive for investors. At the same time, 5-year treasury yield reached 0.8%, while 30-year 2.27%.
- Fed Chairman Jerome Powell testified to the Senate Banking Committee on 23 February. Powell pledged to maintain economic support, signalling that FeD nowhere close to pull back the support mechanisms. In addition, Powell also played down inflationary pressures and remarked that recent increase in bond yields is "a statement of confidence" for robust economic outlook. Furthermore, he outlined that the Fed wouldn't change its policy until inflation exceeds 2%, which could take "more than three years". Growing US treasury yields also pushed borrowing costs up in Europe. ECB's President Christine Lagarde commented that the ECB is 'closely monitoring' Eurozone bond yields, as higher yields could pressure economic prospects. ECB board member Isabel Schnabel followed up and said that the ECB would make sure that there would be no "unwanted tightening of financial conditions".
- Overall, global equity indexes traded in red in the second half of February. A sell-off in US government bonds (thus rise in bond yields) pushed global equities down. In the last 2 weeks of February, S&P 500 was down by 3.1%, while Dow Jones posted a 1.7% decline in the same period. Tech stocks were hit hardest, with tech heavy NASDAQ composite experiencing its worst day since late October, down 6.4% over the 2-week period. In Europe too, STOXX 600 declined by 2.2% in the last two weeks of February, while FTSE 250 remained mostly flat (-0.6%).

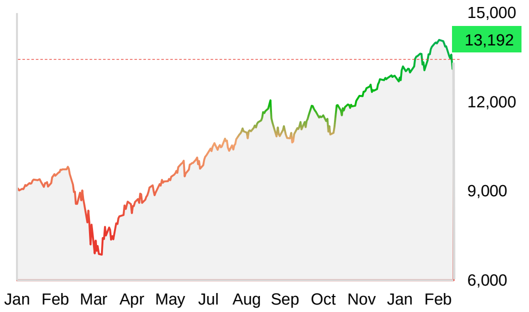
S&P 500



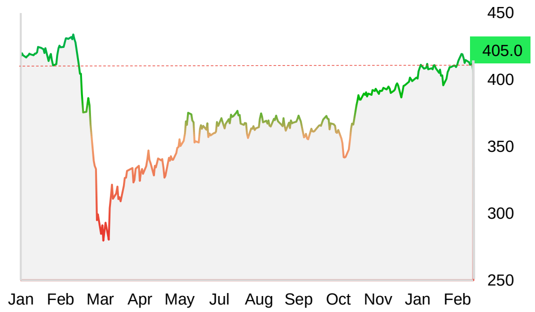
Dow Jones Industrial Average



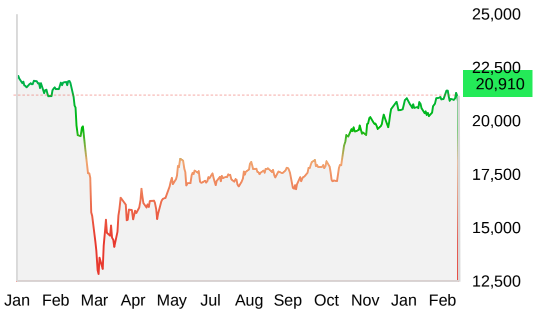
NASDAQ



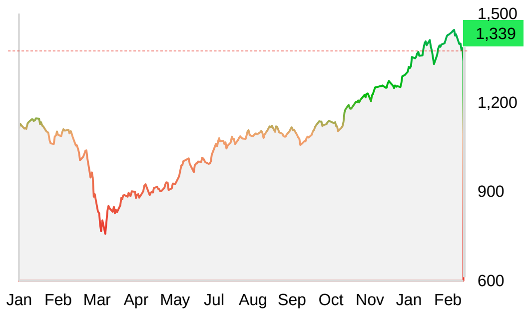
STOXX 600 Europe



FTSE 250



Emerging Markets Index



Source: Bloomberg
Note: Data as of 26 February 2021

- China's Shanghai Composite Index firmed in the second half of February, up 0.4%. Notably, on 2 March 2021, chairman of the China Banking and Insurance Regulatory Commission said that he is "very worried" about the bubble in foreign financial markets, which according to him will face corrections "sooner or later" as they have seriously diverged from the real economy.
- After the rally in the Japanese stocks in Jan/1HFeb Japanese stock markets cooled off, with Japan's Nikkei 225 index down 2.0% in the second half of February, mostly in line with the US and European stocks.

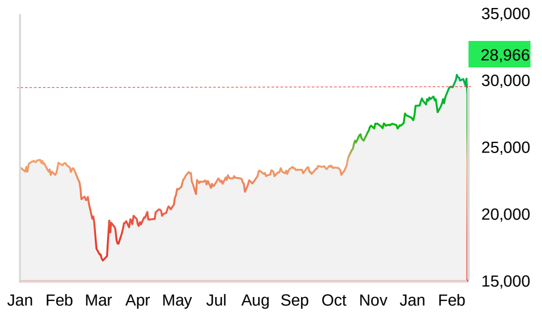
Commodities

- Oil prices continued to grow in the second half of February, with Brent oil trading at US$ 66.3 by 26 February 2021. WTI oil price also followed, reaching US$ 61.5/barrel. Improving economic prospects and curbs in OPEC+ production help oil prices globally.
- The sell-off in the bond markets which sent yields to higher levels, is seen as a sign of economic optimism. As a result, gold investors have sold their holdings causing a drop in gold prices, which came in at $1,734 per troy ounce as of 26 February, down 18% from August 2020 highs ($2,072).

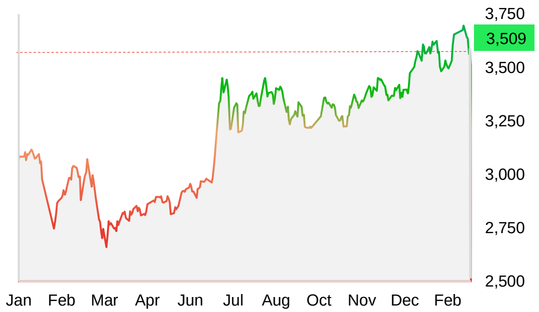
Volatility

- Cboe Volatility Index, VIX, the gauge of fear in S&P market, slightly increased in the second half of February, triggered by the US bond "taper tantrum", reaching 28 as of 26 February, 2021.

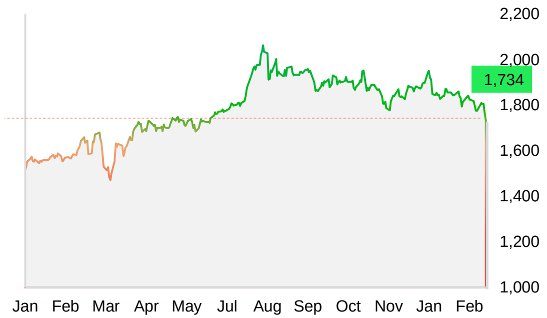
Nikkei 225



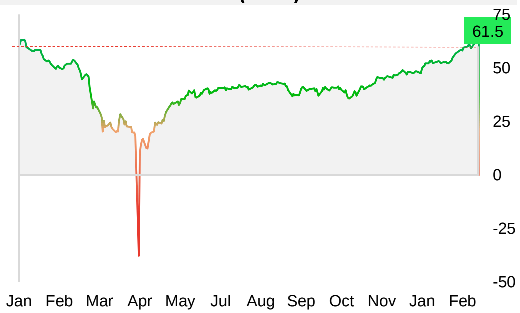
Shanghai Composite Index



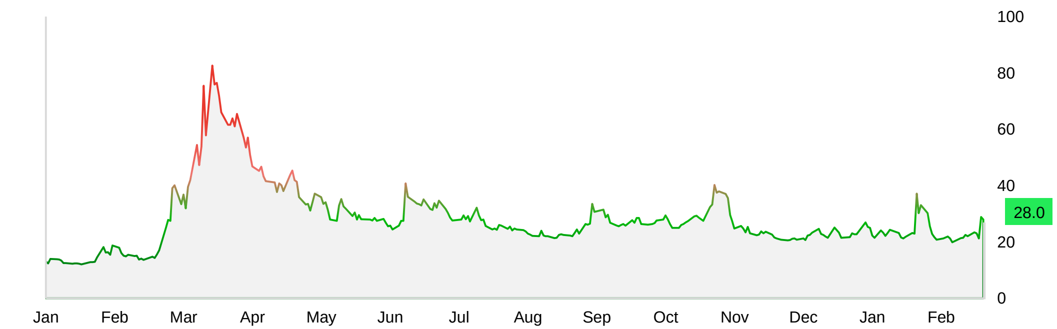
Gold



Oil (WTI)



Vix



Source: Bloomberg
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