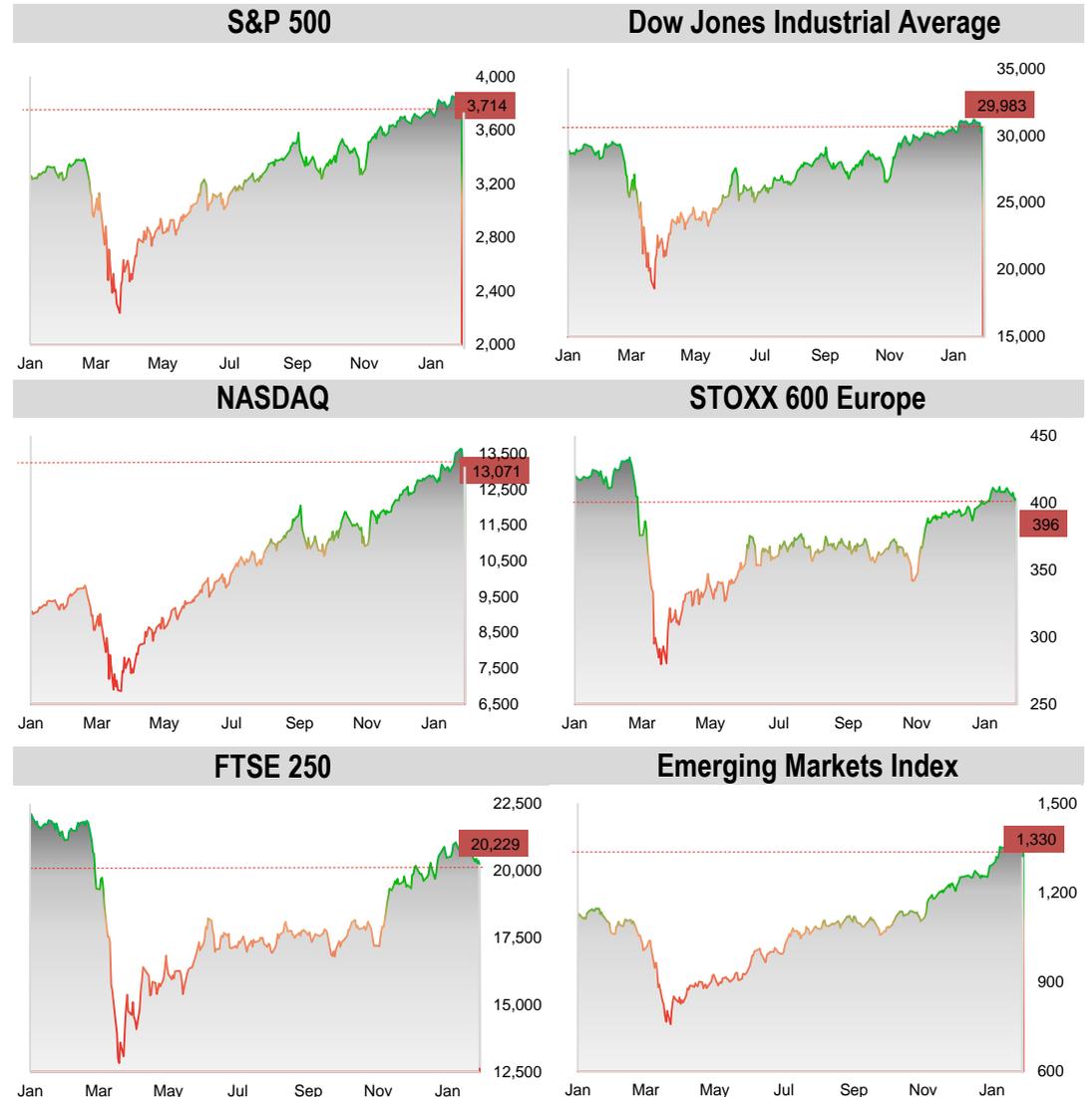


Global Market Watch

Global markets
Periodic
February 4, 2021

What's moving markets

- In the second half of January 2021 the markets were flooded by retail investors who went against the Wall Street's big names. GameStop (the video game chain) became the top pick of the financial markets, despite it suffered from the pandemic like other retailers. GameStop stock started the year at US\$ 19, while in the last week of January, price soared, reaching almost US\$ 400. The rally was pumped up by retail investors, who co-ordinated on the message boards such as Reddit and used low-costs trading platform – Robinhood. The main target of the retail investors were large hedge funds, who had shorted Gamestop. Short-sellers make money by betting a stock will drop in price, it involves “borrowing” a company's shares and selling them with the intention of buying them back cheaper when the share price falls. However, shorting a stock is a very risky business, as if the price doesn't fall, the losses can be huge. By January 21, large hedge funds had shorted c.140% of Gamestop's public float. After co-ordination of small investors the price of Gamestop started to increase, widening the losses incurred by large hedge funds and ultimately creating a “short squeeze”. It is estimated that in January 2021, short sellers had lost almost US\$ 20bn. Other stocks, such as BlackBerry and AMC Entertainment have also been included in the wave. Due to high volatility multiple brokerage houses, including Robinhood, halted the buying of GameStop and other hot stocks. Since the highs reached on 27-29 January, the price of Gamestop has slid by 60% to c. US\$ 90 by 2 February, other stocks also followed. Regulators and politicians are examining the trading restrictions.
- On the significant volatility, the VIX index, the gauge of fear in S&P market jumped as the volume of trading in the financial markets reached historical maximums.
- On its 27 January meeting, as expected the Federal Reserve of US, kept the rates unchanged, with the target range maintained at 0-0.25%. Furthermore, monthly bond purchase size was maintained at US\$ 120bn. Notably, in 4th quarter, US GDP increased by 4.0% q/q, slightly below the expectations.
- On 2 February, 2021 Jeff Bezos announces that he would be stepping down as Amazon CEO, with Andy Jassy taking over in 3Q21. Bezos will become executive chairman of the company.
- Major American indexes, excluding NASDAQ composite, finished the month in red. On a monthly basis, S&P 500 was down 1.1%, while loss for Dow Jones stood at 2.0% m/m. In Europe too, STOXX 600 and FTSE 250 trading at 1.5% lower compared to end-2020 level. Notably, most of the sell-off took place in the second half of January as volatility in the markets hiked.



Source: Bloomberg
Note: Data as of 29 January 2021

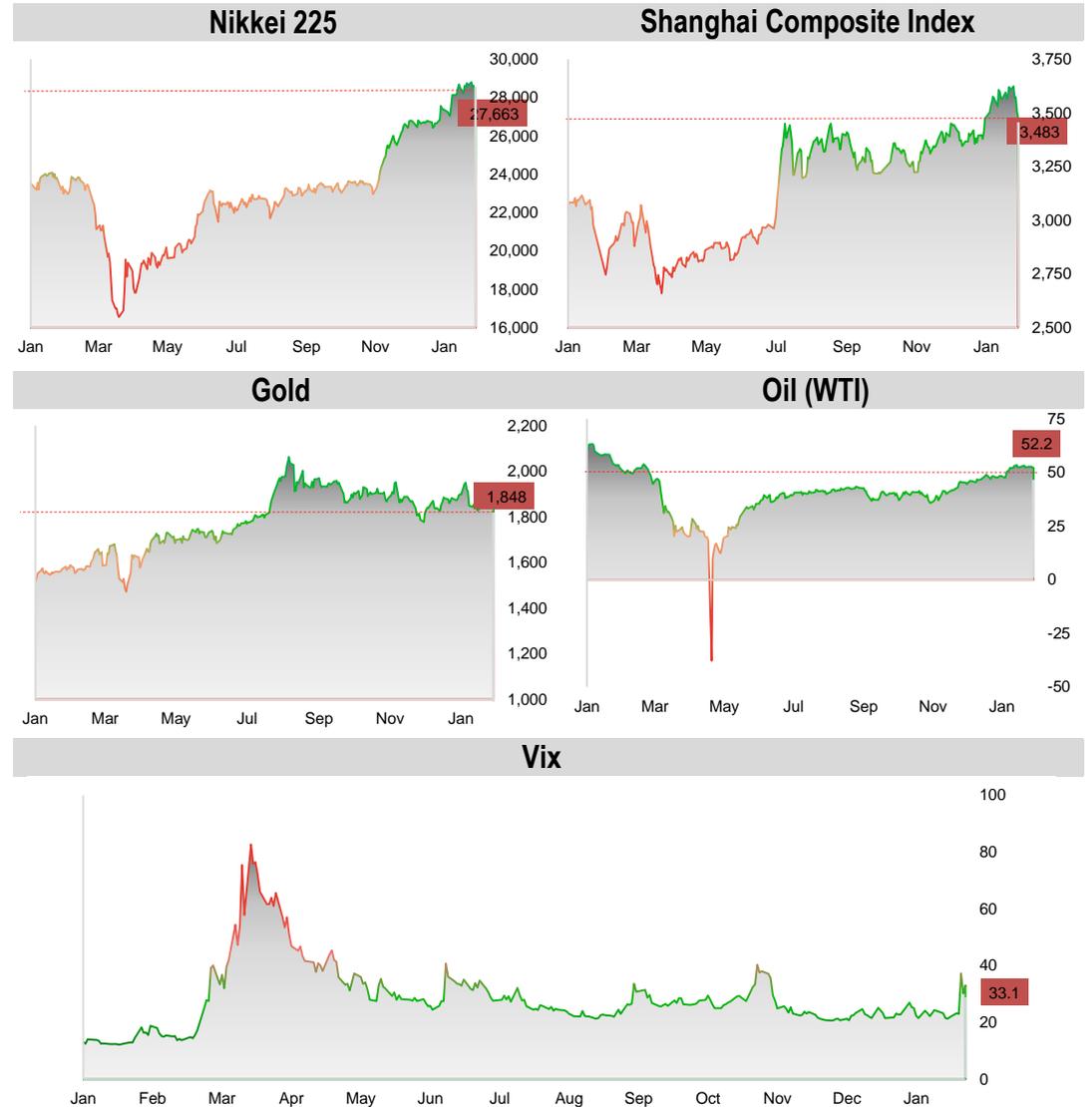
- In the second half of January 2021, the advisor to People's Bank of China (PBoC) warned about asset bubbles. Soon afterwards, PBoC has tightened money market liquidity, withdrawing US\$ 12bn in liquidity through open market operations. This caused a jump in repo rate – interbank rate. Tighter liquidity has put pressure on Chinese stock. China's Shanghai Composite Index retreated by 2.3% in the second half of January.
- China's Alibaba group aims to raise US\$ 5bn from international debt markets, making it the largest dollar bond issuance from China. Notably, this comes during the times, when the regulator is pursuing the group for anti-competitive practices, after suspending the group's IPO in November 2020.
- In Japan too, after hitting the 1990s levels, Japan's Nikkei 225 index retreated, down by 3.0% in 2H January.

Commodities

- Oil prices continued increasing in the second half of January, with Brent oil surpassing a 12-month high of US\$ 57 in the first days of February, while WTI oil prices remained mostly flat in 2H January. This came on the back of lower production volume from OPEC countries. Notably, Saudi Arabia's voluntary cut in output by 1mn barrels per day from February through March 2021. Oil producing giants, BP and ExxonMobil have recorded first annual losses in decade, with BP incurring US\$ 5.7bn loss in 2020, while ExxonMobil's net loss plummeted to a record US\$ 22bn.
- Gold prices firmed during the last 2 weeks of January, with gold trading slightly up, at \$1,848 per troy ounce as of 29 January.
- Silver was another pick of Reddit's retail investors. Along with Gamestop, one user on Reddit recommended buying silver ETFs, which would "force physical delivery of silver". On 1 February, silver prices jumped by 12% to US\$ 30/troy ounce, the highest level since 2013. However, soon afterwards, the price of the commodity tumbled, back to US\$ 27 per troy ounce.

Volatility

- The volatility in the US stock market, related to the "short squeeze" translated into the hike in the Cboe Volatility Index, VIX, the gauge of fear in S&P market in the second half of January. The VIX hit 33.1 by 29 January, up 35% from the 15 January level.



Source: Bloomberg
Note: Data as of 29 January 2021

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