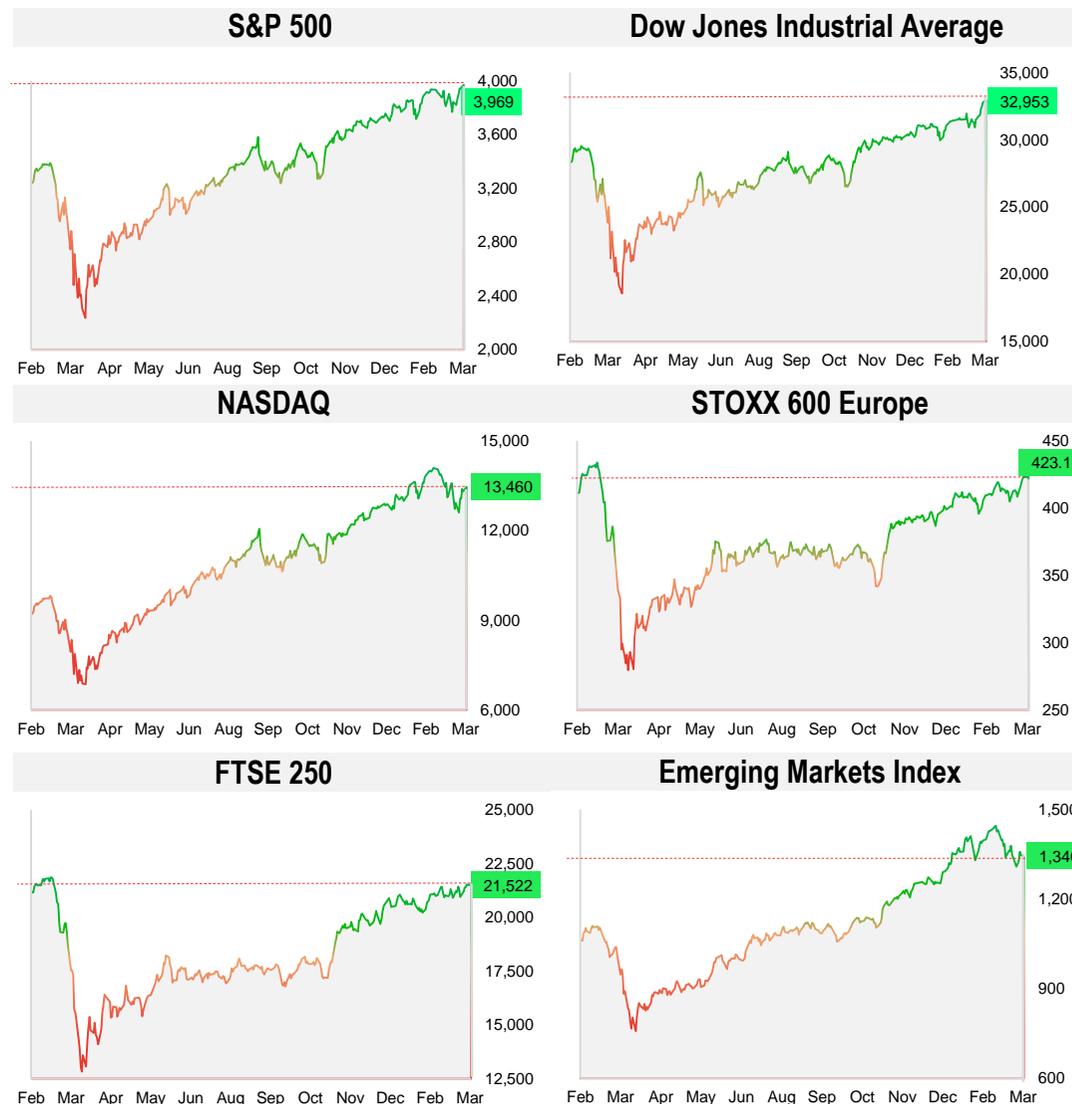


Global Market Watch

Global markets
Periodic
March 17, 2021

What's moving markets

- On 10th of March, US congress approved Joe Biden's US\$ 1.9tn stimulus package, one of the largest economic rescue packages in US history, which lifted further US stocks. Many analysts expect that the retail investors will pour significant portion of their cheques into equities. According to Deutsche Bank survey, considering the spending patterns of Americans, the amount of investment into equity markets could reach US\$ 30bn.
- Benchmark US 10 year treasury yield remained at the 1-year high throughout the first half of March. This also lifted corporate bond yields - the average yield on US investment grade bonds reached 2.28% according to ICE Data Services. Notably, the rise in yields (i.e. fall in prices) pushes companies' borrowing costs higher and could undermine the economic rebound.
- Overall, global equity indexes traded in green in the first half of March. S&P 500 was up 4.1%, while Dow Jones jumped by 6.5% in the same period. Notably, energy and financials were in the spotlight. After recording large losses in 2020, energy stocks posted solid growth in 2021, helped by improved economic prospects and rebound in oil prices. Banks are the another major winners of 2021 so far, with index of banks in MSCI index (broad global equity index, c. 85% of global capitalization) jumping by 20% in 2021. The shift towards banks and generally to value stocks indicate improved expectations. Sentiments are boosted by vaccination rollout (Joe Biden seeks to finalize vaccination in USA by 4th of July), large stimulus package and pent-up demand. In the rising interest rate environment, growth stocks come under pressure as the value of growth was re-priced (lower value of future cash flows). As a result, tech stocks dropped - by 8 March, NASDAQ composite was trading 4.4% lower vs end-February, which later rebounded and finished the 2-week period up 2.0%.



Source: Bloomberg
Note: Data as of 15 March 2021

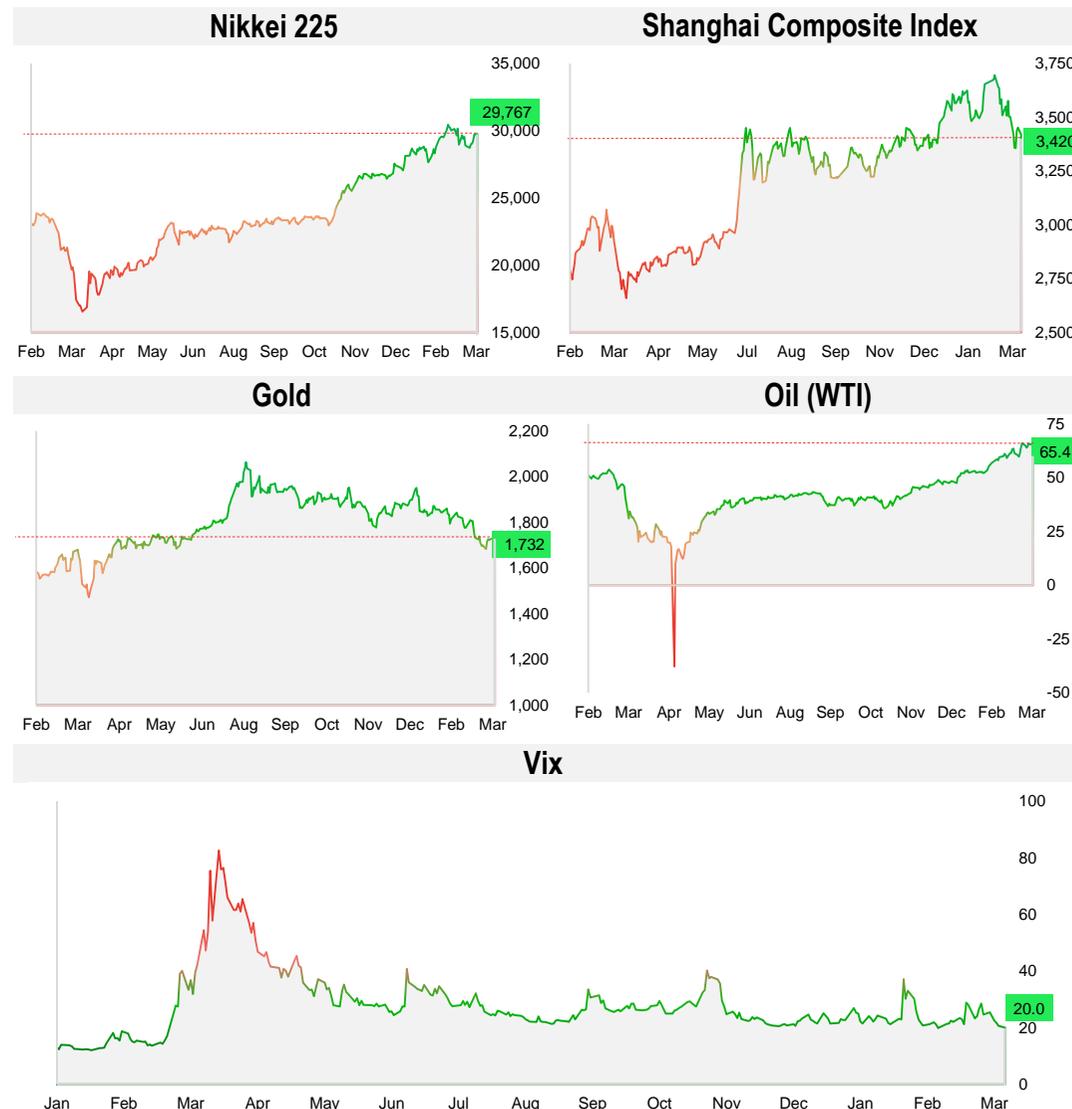
- In response to the rising borrowing costs in Eurozone, triggered by the hike in US treasury yields, European Central Bank pledged to implement its bond buying program “at a significantly higher pace”. The reassurance from the ECB resulted in rally in European bonds, with the yield on Germany’s 10-year government bond down 0.02ppts to negative 0.34%, while yield on Italy’s bond fell 0.08ppts to 0.6% (note, bond yields and prices move in opposite direction). This also helped European stocks, with STOXX 600 up 4.5% in the first two weeks of March, while FTSE 250 increased by 2.9% in the same period.
- Chinese stocks started correction in the first half of March, with China’s Shanghai Composite Index down 2.5% in the 2-week period. Notably, this level is 7.5% lower compared to all-time highs reached in February 2021. The decline in the stock markets comes despite strong economic data from China with exports up 60% y/y in the first two months of 2021, while imports increased by 22% y/y, showing a strong rebound in the economy.
- Japan, which is more closely related to the US and European stock markets increased in the first half of March, with Japan’s Nikkei 225 index up 2.8%.

Commodities

- Oil prices continued the growth in the first half of March, with Brent oil trading at US\$ 68.9 by 15 March 2021, while WTI oil price also followed, reaching US\$ 65.4/barrel. The rally in the oil prices was supported by the decision of OPEC (4 March 2021) to maintain production levels unchanged for April 2021 which is still significantly lower than the historic production levels (although Russia and Kazakhstan were allowed to increase production marginally), while Saudi Arabia said it would continue its 1mn barrel production cut in April.
- Gold prices have remained mostly flat during the first two weeks of March, trading at \$1,732 per troy ounce as of 15 March 2021. Vaccine-fuelled improvement in the economic prospects is keeping gold investors vigilant (as gold remains to be the equivalent of heaven asset for investors).

Volatility

- Cboe Volatility Index, VIX, the gauge of fear in S&P market, declined in the first two weeks of March, at 20.0 by 15 March.



Source: Bloomberg
Note: Data as of 15 March 2021

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