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Workshop / Market News 02-08-2021

Equity markets **weathered the potential storm last week** as the Federal Reserve, the US central bank, **delivered its decision on rates** but more importantly on **future guidance**.

The rate setting committee, the FOMC, said that the US economy had made **more progress** towards the time when the FED would **consider removing the huge monetary support** provided to the US economy during this pandemic.

The FED is mandated to **foster FULL employment** and **maintain price stability** at an **average rate of 2%.**

Well, we all know that inflation n is higher than that and we all know that the FED, in common with other Central banks, believes the **jump in inflation is transitory**.

Hence why **inflation is allowed to move above the target 2% inflation rate** without any intervention on rates and QE.

<u>Review</u>

FTSE unch DOW -126 -0.36% S&P -16.5 -0.37% NASDQ -164 -1.11%
DAX -125 -0.8% NIKKEI -264 -0.96%

Equity and bond markets seemed **relatively relaxed** last week. Maybe because we are in the **holiday season** or maybe because re**sults from big tech** matched many of the lofty expectations from Wall Street.

Not all – **Amazon missed and warned on future growth** slowing which knocked the shares, putting a **drag on the NASDAQ**.

The **FTSE put in a better performance** as the **big banks resumed normal** service with some impressive set npof results. **HSBC** has followed that this morning with profits more than doubling to £7.8Bln).

EURUSD +1.00 +0.85% GBPUSD +1.58 +1.15% USDJPY -0.82 -0.75%

Forex markets still remained slightkly subdued but the US Dollar gave back some fground following bthe conclusion of the FOMC meeting mid week.

Sterling recovered its poise again last week, outperforming against both the USD and the EURO – partly in anctipation ahead of the MPC meeting this week.

Gold +12 +0.67%   UK OIL +0.94 +1.26%   US OIL +1.6 +2.22%
Bitcoin +8,559 +25.56%

Gold reacted to the weaker US Dollar although there was little reaction to the alleged attack by Iran terrorists on the Israeli flagged container ship.

Oil recovered to recover from the slump two weeks ago, but Covid spread in China and other hot spots globally have kept a lid on the rebound late last week.

Data / events

Busy calendar of events this week. First Friday of new month means the release of US employment numbers with **non-farm Payroll data**. Probably the second most important monthly release after the FOMC rate decision.

Plus, we have our own **MPC** deliberating this week.

Monday

US   ISM Manufacturing PMI – Above 60 …. still. 5 times out of last 6 months. Just tells how strong this US economy really is.

Tuesday

Australia   RBA rate decision. No change in rates and possibly that Governor Lowe will have to delay the tapering announcement made only last month. The reason being that things have turned decidedly worse for the Aussie economy as over half the population has been in lockdown as covid cases take hold, albeit not on our scale. But then Australia has a pitiful record on vaccinating which will cause them problems for months to come, unless properly addressed.

Wednesday

US ADP non-farm employment. Another big number expected but more erratic from this private payroll group.

US Crude oil inventories. Despite a slight build the previous week, inventories continue to decline as consumption remains strong.

Thursday

UK MPC policy meeting. Expect no change on rates. As for QE and talk about bringing forward tapering. Andy Haldane, the previous chief economist who has left the bank, argued for tapering before he left. Andrew Bailey is against any action for now but there are dissenters.

It is expected that two members will vote in favour of tapering – that is what the market is expecting. If the vote is not 6-2 and there are more than two dissenters, you could see Sterling spike and equities fall.

Friday

Australia	Governor Lowe from RBA speaking
UK	Member Broadbent speaking about the Monetary Policy Report at an online event hosted by the Bank of England
US	Non-Farm employment. Another massive number expected +895K , building on 850K from last month. Unemployment rate 3xpected to slip again to 5.7% with average hourly earnings at +0.3%