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Workshop / Market News 05-07-2021

Independence Day celebrations today so all US markets closed. Movements will be slightly more restricted but also bear in mind any unexpected news with the US closed we could see greater moves than would otherwise be the case.

Far East markets lower overnight with Nikkei down 0.6% whilst Chinese indices were mixed but global markets failed to respond to the rally in US equities after Europe shut Friday.

<u>Review</u>

FTSE -12 -0.2% DOW +352 +1% NASDAQ +279 +1.94% DAX +42 +0.27% NIKKEI -283 -0.97%

Another record closing high on US equities last Friday as employment data came in better than expected. The addition of 850,000 new jobs in June was 125K more than expected but not so hot that it might push the FED to react in a negative way.

The last quarter and half year was concluded last Wednesday with the broad based S&P500 going out with the **fifth straight monthly gain** – a **record** on **each occasion**. The current run of **seven straight daily gains** for the S&P is its **best winning run since 1997**.

Despite this record run, there are signs that so**me investors are getting a little nervous** with the extent of the **moves in the first 6 months of the year**.

The **skew index**, as reported in the FT last week, measures the difference between the **cost to protect against a big market fall (put)** versus the **right to benefit from a rally (call)** . This **difference has hit record highs** which implies **fear** is **greater than the greed** factor.

This is **not the same as the VIX** which simples measures the aggregate of individual at-the-money volatilities across all options.

The **FTSE** had a **lacklustre week as did other European indices** – in part due to the **rebound in GBP and the Euro** versus the US Dollar.

Perhaps the bid by **Fortress for Morrisons** will **fire up the food retailing sector**.

EURUSD -0.71 -0.6% GBPUSD -0.45 -0.32% USDJPY +0.23 +0.2%

The **Euro finished lower against the US Dollar and Sterling** in the first half of the year, contrary to most analysts expectations. The focus on the reflation trade and jump in bond yields caught some investors out as concern mounted over the surge in inflation in western economies. The FED applied its comfort blanket to good effect as bond yields backed off but the US Dollar has not fallen back to levels seen at the start of the year.

Gold +6 +0.34%   UK OIL UNCH   US OIL +1.12 +1.51%
Bitcoin +2,200 +7%

Gold had a shocker of a month in June as the jump in the USD resulted in a sharp sell off as gold slumped $137 or 7.2%. Despite the jump in inflation across developed economies, central bankers are all convinced that the jump in inflation is only temporary and will reverse – not something that Gold fans want to hear.

Oil ended unchanged last week following the in**conclusive end to the Opec meeting** last Thursday / Friday. Demand remains strong, hence why crude is still **close** to a **three year high** but Opec **failed to agree** on an i**ncrease in the cartel's production**. As a result OPEC will meet again today (Monday) by videoconference to address some members concerns.

Bitcoin settled down last with **little negative news**, buyers pushed bitcoin back to the middle of its recent trading range between 30,000 and 40,000.

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Data / events

FOMC (rate setting committee of the federal Reserve in the US) minutes are probably the highlight of the week.

Monday

US **Markets closed** in observance of Independence Day celebrations.

OPEC Another round of talks between Opec members to **agree production increases**.

Tuesday

Australia **Monthly policy meeting of RBA**. Despite the renewed lockdown for almost half the population, the central bank is likely to **reduce** some of the **emergency economic stimulus measures** as the Australian economy powers ahead. Analysts **do not expect a pre-emptive move in rates** as the governor of the central bank wants to **avoid a rally in the Aussie dollar**.

Expect **AUD crosses to be sensitive to the news** although by the time we are awake the news will be a couple of hours old.

Germany **ZEW economic sentiment**. A **survey of institutional investors and analysts**. Optimism has been building for months but some **signs this may be slowing**. Consensus is for **75 which would be lowest level for three months**. Euro / Euro equities sensitive.

US **ISM Services**. A **survey of purchasing managers** in the **services sector**, which dominates the economy. Anything above 50 means sector is expanding. The reading has been **above 60 for past 3 months** which suggest its **red hot**. Another **60+ reading expected**.

Wednesday

EU Update to economic forecasts for EU member states, with upgrades expected as economies recover ground post pandemic.

US FOMC minutes. Release of minutes from the last FOMC meeting. The committee surprised markets by signalling a policy shift suggesting that the first interest rate rises would be in 2023 rather than 2024 as previously advised. So the markets will have a chance to find out what was behind the committee's thinking. USd and equities will be sensitive to this release.

Following the **last meeting on June 16th** equities went into a t**ail spin for a few days** but **recovered sharply** the following week as **Fed officials sounded more dovish** about rates.

Thursday

US Crude oil inventories – a day late due to federal holiday on Monday

G20 Finance ministers and central bankers meeting for 2 days – remotely.

Friday

UK, Eurozone Central bankers speaking bat Global Forum on Productivity, in Venice