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Workshop / Market News 12-07-2021

US and global markets **weathered the FOMC minutes last Wednesday** which did not ring any alarm bells.

The minutes showed that the rate setting committee was debating **whether to start tapering the bond purchase program sooner** because of the stronger economic rebound and outlook.

Counter that with **some signs that Data has started to soften** in the **US** and **leading indicators in the EU** suggesting a **potential slow down in economic activity**. The German ZEW survey of institutional investors and analysts posted the weakest reading in 54 months.

News that the **Delta covid variant is taking hold in parts of the EU and US** (NY state has seen infection rates double in two weeks) may start to play on investors minds in the coming days.

Germany advised its **citizens not to travel to Spain** which now has the **highest infection rate in mainland Europe**, knocking Portugal off the top spot. Additional restrictions are being reimposed in a number of member states as the **more infectious Delta variant becomes dominant**. In the last week, the **European centre for Disease Control** said that the **infection rate had jumped 34%** to 51.6 per 100,000.

Review

FTSE unch DOW +83 +0.25% S&P +17 +0.4% NASDAQ +62 +0.43%
DAX +37 +0.24% NIKKEI -842 -2.93%

A quieter week on global markets last week.

A week and a half ago the US reported **weaker manufacturing PMI**, albeit **still quite** a hot reading and then last week the **Services underwhelmed** although again with a **reading at 60 which is still hot**.

The FOMC minutes suggests that the **debate about tapering QE will continue** although the FED said the **“substantial further progress”** in the economic conditions had **still not been met**.

EURUSD unch GBPUSD +0.78 +0.56% USDJPY -0.90-0.8%

The **US Dollar gave up some ground** last week following the FOMC minutes which **soothed the markets** and made clear rates remain on hold.

Despite **weaker** data last Friday on **Industrial production and manufacturing Sterling picked up some lost ground** from the previous week as the UK heads towards an **end to all lockdown restrictions from July 19th**.

Gold +15 +0.84% UK OIL -90.5 -0.65% US OIL +0.42 +0.56%

Bitcoin unch

Gold responded to the modest slide in the US Dollar last week, but moves were measured. The gains did **little to recover the dramatic falls** from **June** though.

A **Failure of OPEC to agree a production increase** was a double-edged sword for the price. Without an agreement to raise production the price initially bounced but **concerns are now mounting** over the **disunity** with the cartel and its ability to manage prices.

Reports suggest the **UAE had effectively sunk the Saudi deal** to raise production following a near 50% jump in prices so far this year.

Data / events

A **busier week this week** for key economic releases and events plus we have a **splurge of US Q2 results** being released this week.

Monday

No major releases today

Tuesday

US Another nervous wait for US inflation reading. A month on month reading of core prices is **expected at +0.4%** whilst the annual inflation rate is **expected at 4.9%** compared to last year's June reading.

If the rate comes in higher, as did May's reading reported last month, then **markets may stutter**. US Dollar, bonds and equities sensitive.

Wednesday

UK CPI data. **Inflation** expected to remain at elevated levels as commodity prices remain firm. **GBP sensitive.....**

US **PPI data**. Cost of goods / services going into production. The **jump in the PPI** over past 6 months looks **set to continue**.

Canada **BoC rate decision**. No change in rates or policy. Bank remains cautiously optimistic but too soon for a policy change.

US **Jay Powell due to testify** on the **Semi-Annual Monetary Policy Report** before the House Financial Services Committee. **Part of two-day testimony**.

Thursday

China **Q2 GDP reading** – less hot as economic activity pulls back from the strong q1 reading.

Friday

Japan **BoJ policy meeting**. **Tougher outlook in Japan** as the Covid infection surges in major cities, including Tokyo where the Olympic gains kicks off in two weeks. **No change in rates expected**.

Q2 results

It's the **banks that release first** with **expectations for a bumper set of results**.

The Ft reports that **companies listed on the S&P500 index** are forecast to report **earnings-per-share growth of 63% for Q2** – that follows hot on the heels of **52.5% jump in Q1 earnings compared to a year ago**.

An **increase of 63% in EPS** would be the **biggest jump since the aftermath of the financial crisis in 2009**.

Key results this week are.

Tuesday	Goldman Sachs, JP Morgan
Wednesday	Bank of America, Citigroup
Thursday	Morgan Stanley, BNY Mellon