

Market News 25-10-2021

Spread bets and CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 75.2% of retail investor accounts lose money when trading spread bets and CFDs with these introduced providers. You should consider whether you understand how spread bets and CFDs work, and whether you can afford to take the high risk of losing your money. Past performance of any strategy or trader should not be relied upon for future performance.

This presentation has been prepared without regard to your investment objectives or financial situation. It is important that you consider the information presented in light of your individual circumstances and objectives, including: level of experience, personal goals and risk tolerance.

Most importantly, do not invest money you cannot afford to lose.

All opinions, news, research, analyses, prices and other information contained herein are intended as general information only and are provided on the understanding that Twowaymarkets is not rendering investment, legal or tax advice. You should consult with appropriate advisors on all such matters. Nothing contained in this presentation should be construed as an offer to sell or a solicitation of an offer to buy in any financial market whatsoever.

None of the services or investments referred to in this presentation are available to persons residing in any country where the provision of such services or investment would be contrary to local law or regulation. It is the responsibility of the attendees to comply with any local law or regulation to which they are subject.

Twowaymarkets is a trading name of TMS Capital Limited. Head and Registered Office: The Innovation Centre, University Way, Cranfield, MK43 0BT. TMS Capital Limited is a company registered in England and Wales, number: 03960337. Authorised and Regulated by the Financial Conduct Authority. FCA Register Number: 195581.

Chinese markets slightly firmer overnight helping European markets start the week slightly higher.

The US Dollar continues to slip versus other major currencies as risk-on theme continues.

Review

**FTSE -29 -0.41% DOW +382 +1.29% S&P +76 +1.64% NASDAQ +193 +1.29%
DAX -44 -0.28% NIKKEI -264 -0.91% Hang Seng +795 +3.14%**

Despite the **below consensus Chinese GDP** data at the start of last week, overall, the **data last week was positive**. The **PMI data** from most western economies was **better than the consensus** with stand-out data from both the UK and US.

However, the **Eurozone services sector suffered an unexpected fall** which is likely due to the **spike in energy and general commodity prices** brought about by these global supply bottlenecks that all economies are experiencing.

News last Friday from **Evergrande**, the massively indebted Chinese property development group, **helped markets to recover losses** from the start of last week.

Evergrande managed to **pay at the eleventh hour the missed interest payment on foreign US Dollar bonds** which has given some very **short-term relief** to the **Hong Kong** market although the debt remains and so does the **risk that the company could default** without offloading some assets.

However, equity markets continue to believe what central bankers are telling us about the prospects for inflation.

Here in the UK, analysts are now pricing in a **near 80% probability of a rate rise** before Christmas. There has been some criticism of the Bank of England's **aggressive market speak** with the **Economist publication** calling for the bank to **pause with any rate rise**.

An interesting article in the FT highlights how investors view what Central Banks are up to.

The yield on the **two-year UK gilt and 2-year treasury** (US sovereign debt) have been **risen sharply in the last two months** reflecting the likelihood of a **start in the tightening cycle in both the UK and US**.

In the UK, **2-year gilts are now yielding 0.7%** - not much to write home about – but just **two months ago they were 0.1%**. Similar in the US, where 2-year bond yields are at **0.49% have risen from 0.25%**.

However, if we look further **along the yield curve or duration**, we see that the yield on **long term bonds** in both markets have **not moved much at all** which suggests that the market suspects that **inflation will be tamed quickly**.

Remember that long term bond yields are **very sensitive** to the **corrosive effects of inflation**.

So, put it another way – **investors** are **currently implying** that both the **BoE** and **Federal Reserve** could be making a **policy error in raising rates** and **tapering QE**.

This means, these central banks could end up **choking off some of the post pandemic recovery** risking stagflation in the medium term and the **likelihood** that these **rate rises would have to be reversed**.

Of course, these moves in the **bond markets could change again** should inflation **really** take hold.

EURUSD +0.49 +0.42 GBPUSD Unch USDJPY -0.23 -0.2%

Little action in the forex market last with the US Dollar losing more of its gains since early September in anticipating of the start to QE tapering.

Gold +24 +1.35% UK OIL +1.04 +1.23% US OIL +1.7 +2.06%

Oil continued its relentless rise, adding another \$1 from the previous week. The Yen experience some profit taking halting the slide from the previous week although the energy squeeze will have a direct impact on Japan which has to import significant quantities of oil and gas.

The successful launch of the **Proshares Bitcoin Strategy ETF**, to give its full name, **last Tuesday on the New York Stock Exchange** gave another **boost to Bitcoin and other Cryptos**. The Bitcoin ETF, or BITO as its called, **attracted more than \$1 Bln from investors** making it was of the fastest growing ETFs.

Data / Events this week

ECB, BoC & BoJ policy meetings, the UK budget, and US GDP data to look forward to.

Monday

Germany

German IFO business climate. Large survey of manufacturers and retailers. Gradually slipping from levels four months ago.

Tuesday

Wednesday

Japan

Bank of Japan policy meeting. Following upgrade in outlook the bank is expected to make **no change** to official rates.

UK

UK's Autumn Statement presented by Chancellor Rishi Sunak. Almost all the policy announcements seem to have been trailed ahead of the announcements in parliament so markets will probably have little in the way of any meaningful surprises.

Canada

Bank of Canada – no change ahead of FED's FOMC policy meeting in early November.

US

Core Durable Goods orders. **Still on the rise but slowing.**

Thursday

Eurozone

ECB policy meeting. Whilst investors have started to price in a **slight rise in Eurozone rates** by end of 2022, the likelihood of **anything happening** in the short to medium term is **very low**. Markets are **predicting** the Eurozone **rates will increase by 0.1%** by the end of 2022.

Hardly noteworthy – actually noteworthy for **how dovish investors** are about **prospects for a rate rise.**

Most analysts expect the ECB to maintain a more dovish approach, contrary to what the BoE have been saying. **They can't both be right, or can they??**

Us

GDP data.

Friday

US

Revised University of Michigan Consumer sentiment. Stabilising??

US

Chicago PMI – Still falling.