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Workshop / Market News 26-07-2021

So last weeks events were a bit thin on the ground, but the **ECB policy meeting** was probably the most important. The governing council or rate setting committee, that sets rates and monetary policy, announced a **slight change** to their **forward guidance**.

This included the announcement that the ECB is in **no rush to raise rates**. The bank also said that they would **account for higher inflation tolerance** in their overall policy mix. In short the ECB said “they expect to **keep interest rates at their present or lower levels** until inflation reaches 2% well ahead of their projection horizon **AND** remain **durably at or above that rate for the rest of the projection period**.”

In a nutshell, **no rate rises even if inflation remains stubbornly high for a protracted period**.

The bank confirmed that the recent Delta variant spread is a “growing source of uncertainty.”

The Euro, albeit almost becalmed last week, as the week before, fell slightly – reflecting the unlikelihood of any rate raise or policy tightening I the next 18 months.

So, its **Central Banks that continue to support the markets** and determine the direction of everything from equities to bonds, foreign exchange, and commodities.

.....and we have another **key meeting this week** from the **Federal Reserve**.

Review

**FTSE +20 +0.28% DOW +374 +1.08% S&P +85 +1.96% NASDAQ +410 +2.85%
DAX +193 +0.83% NIKKEI -455 -2.62%**

Once again equity markets confirmed that, despite a resurgence in Covid cases across Europe and the US, there remains only ONE game in town. Namely equities!

And look how these **markets have rallied since the lows** at the start of the Pandemic **last March**.

The FT published a report, authored by UBS, which highlights the winners and losers. You only have to look at the super wealthy flying into space to know who the winners are.

Wealth inequality has reached record levels – where data shows US **individuals' net assets against their liabilities** rising dramatically since early last year. The **net worth of the top 1%** of people is now **26 times their liabilities**. For the bottom 20% its just 5 times.....this is the **widest it's ever been**. TBH – I was surprised how high the bottom 20% are.....

Instead of flying into space the super wealthy should be taking the federal reserve out to lunch. Maybe they are already doing that as well.

EURUSD -0.34 -0.28% GBPUSD -0.13 -0.1% USDJPY +0.47 +0.42%

Gold -10 -0.55% UK OIL +0.98 +1.34% US OIL +0.63 +0.86%

Bitcoin +2,247 +7.16%

Data / events

Following hot on the heels of the **ECB last week** we have the Federal Reserve / FOMC meeting this week which is always interesting.

Whilst not an event the market will continue to watch the **Covid infection rate** across **Europe, US** and **Far East** and **Australia** as the **Delta variant takes hold**.

Monday

Germany IFO Business Climate Survey. Broad survey of manufacturers, builders, wholesalers, services, and retailers; Euro / Dax sensitive **Continuing to climb**

Tuesday

US Consumer confidence for Conference Board. **USD sensitive to a more notable pull back**

Wednesday

US Crude inventories. Last week saw **first build in stocks** in a few weeks.

US **Federal Reserve FOMC policy meeting.** No change in rates. And less likely as the **Delta variant surges in some of the Southern States**, Will the FED continue the discussion regarding the eventual tapering of the Fed's \$120bn monthly asset purchase programme? i.e., when **will they start to slow the purchase of bonds**, which **pumps billion of USDs into the financial system** each month. Previous advice was that the Fed will continue with the purchases until it sees "**substantial further progress**" towards its **inflation and employment goals**. So, no tapering for a while.

USD, Equities, and commodities all sensitive to this key event.

Thursday

US **Advance GDP.** First of three releases of the GDP for Q2. This measures the **value of all goods and services produced in the period April to June**. Quarter on quarter **rise of a whopping 8.5%** following **6.4% in Q1**.

And the FED will still be **keeping rates at record low levels.....!!**

Friday

US Revision to **UoM consumer sentiment** reading. Still confident!!

Saturday

China Manufacturing PMI – **Is China's growth spurt post pandemic recovery starting to run out of steam??**
This matters for the global economy although the US has clearly picked up any slack due to slow down in the World's second largest economy.