

News highlights

- Financial markets had a wild week as the rise in government bond yields accelerated, unsettling equity and fixed income markets.
- Under the surface, a substantial rotation was also at play in the equity market, with information technology and consumer discretionary sectors suffering the most, while the energy sector outperformed.
- While the upwards journey of Treasury yields was previously driven by the perspective of higher inflation, this was not the case recently, with inflation premiums lower on the week.
- The prospect of an economic boom in the US was the main catalyst, with the idea that if the stimulus package is approved, it will supercharge economic growth. Other dynamics such as, investors hedging mortgage rates (convexity hedging), large positions being stopped out and weak US-Treasury auctions were also at play.
- The Fed and ECB tried to reassure markets by indicating that liquidity would be maintained and that any inflationary push would only be temporary.
- Looking at the US money market forward curve, participants seem to think that the FOMC's explicit forward guidance is bluffing or has been caught flat-footed, pricing almost four hikes up to the end of 2023.
- Our base case is that US rates are rising for the right reasons, but the speed of ascent could be a headwind. The equity risk premium has not evaporated, but sits close to the lowest levels observed over the last 10 years. Earnings growth holds the key for coming quarters, and we believe that good news for the economy will likely continue to be good news for the markets for a while longer.
- This week, the National People Congress of China that starts on March 5th will be of particular interest, while US monthly employment figures will likely garner a lot of attention, given the recent action in the bond markets.

EQUITIES *(local currency, price change)*

| | Last Price | 5 days | YTD | | 5 Years |
|----------------------|------------|--------|--------|---------|---------|
| | | | Local | EUR | |
| US | | | | | |
| S&P 500 | 3 811 | -2,4% | 1,47% | 2,68% | 95,6% |
| Nasdaq | 13 192 | -4,9% | 2,36% | 3,59% | 187,4% |
| Dow Jones | 30 932 | -1,8% | 1,06% | 2,28% | 85,9% |
| Europe | | | | | |
| Stoxx 50 | 3 636 | -2,1% | 2,4% | 2,4% | 24,1% |
| DAX | 13 786 | -1,5% | 0,5% | 0,5% | 44,9% |
| CAC | 5 703 | -1,2% | 2,7% | 2,7% | 32,2% |
| FTSE | 6 483 | -2,1% | 0,4% | 3,7% | 6,4% |
| AEX | 651 | -4,0% | 4,3% | 4,3% | 54,1% |
| BEL 20 | 3 762 | -2,0% | 3,9% | 3,9% | 11,6% |
| SMI | 10 522 | -1,7% | -1,7% | -2,9% | 33,6% |
| EM & Asia | | | | | |
| Nikkei 225 | 28 966 | -3,5% | 5,55% | 3,95% | 78,9% |
| Hang Seng | 28 980 | -5,4% | 6,42% | 7,66% | 49,7% |
| India | 49 100 | -3,5% | 2,82% | 2,88% | 112,1% |
| Russia | 3 347 | -3,2% | 1,75% | 3,28% | 84,2% |
| Brazil | 110 035 | -7,1% | -7,55% | -12,84% | 164,6% |

FIXED INCOME *(local currency, total return)*

| | Yield | 5 days | YTD | 5 Years |
|------------------|-------|--------|-------|---------|
| US | | | | |
| Government | 0,84 | -0,3% | -2,8% | 13,7% |
| Investment Grade | 1,98 | -0,5% | -2,9% | 31,2% |
| High Yield | 4,25 | -0,6% | 0,7% | 54,5% |
| Europe | | | | |
| Government | - | -0,4% | -2,4% | 10,6% |
| Investment Grade | 0,39 | -0,4% | -0,9% | 13,6% |
| High Yield | 3,16 | -0,4% | 1,1% | 31,6% |
| EM | | | | |
| Global HC USD | 3,41 | -1,0% | -2,0% | 34,8% |

EUR VERSUS MAJOR CURRENCIES

| | Last | 5 days | YTD | 5 Years |
|-----|--------|--------|-------|---------|
| USD | 1,21 | -0,4% | -1,2% | -6,5% |
| JPY | 128,67 | 0,7% | 1,9% | 28,0% |
| CHF | 1,10 | 1,0% | 1,4% | -9,3% |
| GBP | 0,87 | 0,2% | -3,2% | 8,8% |

COMMODITIES

| | Last | 5 days | YTD | | 5 Years |
|-------|----------|--------|-------|-------|---------|
| | | | USD | EUR | |
| Brent | 66,13 | 5,1% | 27,7% | 29,2% | -39,8% |
| Gold | 1 734,04 | -2,8% | -8,7% | -7,6% | -1,7% |

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Banque Internationale à Luxembourg SA
69 route d'Esch, L-2953 Luxembourg
RCS Luxembourg B-6307
T (+352) 4590-1 • F (+352) 4590-2010
contact@bil.com • www.bil.com

