BIL 1856 BANQUE INTERNATIONALE À LUXEMBOURG

Weekly Market Snapshot

21st June 2021

News highlights

- Equity markets finished the week with widespread losses in reaction to the US Fed's monetary policy meeting, which brought an incrementally more hawkish stance.

- While the Federal Open Market Committee made no formal change to its benchmark interest rate or balance sheet policy, central bank officials signalled on their so-called "dot-plot" that there could be two rate hikes in 2023. During the press conference, J Powell attempted to downplay the hawkish rates outlook saying that these dot projections could be taken with a 'big grain of salt' with projections being individual projections, not a committee forecast. To make a long story short, while the Fed made no mention of a taper timeline, market participants read that the tapering conversation has begun, the first step towards eventually raising interest rates.

- US Treasuries were volatile following the Fed policy meeting. The 10-year U.S. Treasury yield increased sharply after the Fed meeting on Wednesday before falling on Thursday and Friday. The difference in yield on 5- and 30-year Treasuries reached a lower level than where it started 2021.

- With the idea that the Fed, contrary to the narrative of the last few months, will not actually allow the US economy to run too hot for too long, long-end yields tumbled lower as bond traders unwound their reflationary curve steepening bets.

- Cyclical and value stocks tied to reopening and reflation suffered last week, while growth emerged as beneficiary with investors once again questioning the outlook for inflation and growth given the Fed hawkish pivot and expedited timeline for rate hikes.

- The BOJ meeting kept monetary policy steady but also announced the launch of a new scheme for fighting climate change by providing funds to financial institutions that increase loans and investment for activities aimed at combating climate change. This initiative underscores the fundamental change ongoing around the greening of monetary policy.

- Commodity prices were under significant pressure last Thursday following the strength of the US dollar and the announcement by Chinese authorities of a plan to release reserves of key industrial metals to calm down what was described as speculation.

- The European Commission signed off on the first two national recovery plans—those of Spain and Portugal—supported by the EUR 800 billion Next Generation EU fund. Italy's plan is next in line, with approval expected in the coming days. The first funding operations were also conducted, raising €20bn through the sale of a 10-year bond.

EQUITIES *(local currency, price change)*

	Last Price	5 days	YTD		5 Years
US			**Local**	**EUR**	
S&P 500	4 166	-1,9%	10,93%	14,20%	101,2%
Nasdaq	14 030	-0,3%	8,86%	12,07%	192,3%
Dow Jones	33 290	-3,4%	8,77%	11,97%	88,3%
Europe					
Stoxx 50	4 083	-1,0%	14,9%	14,9%	43,3%
DAX	15 448	-1,6%	12,6%	12,6%	60,4%
CAC	6 569	-0,5%	18,3%	18,3%	56,6%
FTSE	7 017	-1,6%	8,6%	13,2%	16,5%
AEX	720	-1,2%	15,2%	15,2%	70,6%
BEL 20	4 138	-1,2%	14,3%	14,3%	23,9%
SMI	11 941	0,8%	11,6%	10,6%	54,8%
EM & Asia					
Nikkei 225	28 964	0,1%	5,54%	2,30%	85,7%
Hang Seng	28 801	-0,1%	5,77%	8,76%	42,8%
India	52 344	-0,2%	9,62%	11,21%	96,6%
Russia	3 803	-1,0%	15,63%	22,42%	102,6%
Brazil	128 405	-0,8%	7,89%	13,63%	159,2%

FIXED INCOME *(local currency, total return)*

	Yield	5 days	YTD	5 Years
US				
Government	0,95	0,2%	-2,5%	12,3%
Investment Grade	1,98	0,5%	-1,2%	26,8%
High Yield	3,96	-0,1%	3,0%	43,6%
Europe				
Government	0,04	-0,3%	-2,9%	8,6%
Investment Grade	0,33	-0,1%	-0,4%	11,1%
High Yield	2,81	-0,1%	3,1%	26,9%
EM				
Global HC USD	3,46	-0,1%	-0,4%	29,3%

EUR VERSUS MAJOR CURRENCIES

	Last	5 days	YTD	5 Years
USD	1,19	-2,0%	-2,9%	-8,3%
JPY	130,74	-1,6%	3,6%	29,9%
CHF	1,09	0,7%	1,2%	-9,5%
GBP	0,86	0,1%	-3,9%	7,8%

COMMODITIES

	Last	5 days	YTD		5 Years
			USD	**EUR**	
Brent	73,51	1,1%	41,9%	46,1%	-33,1%
Gold	1 764,16	-6,0%	-7,1%	-4,3%	0,0%

Source: Bloomberg, BIL, as at 18/06/2021

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