

News highlights

- Action in US Treasury markets garnered the bulk of attention last week, with the notable pullback in US interest rates, as the 10-year yield touched the lowest level since February, before partially giving back on Friday. But once again, major equity indexes ended little changed, recovering from a sharp pullback.
- Equity leadership was once more a question mark, with the retreat of the reflation trade, outperformance of the cyclical universe arrested and defensive and growth back in the driver's seat.
- The narrative to explain the drop in yields ranged from technical factors, fading growth optimism, more infectious strains of the virus forcing curbs on activity, a loss in momentum in the drive for more fiscal stimulus, and so on... What is now obvious for market participants is that vaccination programs alone won't prove enough for economies to return to their pre-Covid normality.
- Lower interest rates are good for equity prices, but when the pace of the downside move picks up steam, equity investors usually get concerned about the economic outlook. Fears of secular stagnation were even dug up by some analysts.
- The epicentre for growth concerns is now mostly in Asia, where stuttering vaccine progress is overwhelmed by the resurgence of the coronavirus. The announcement that the Tokyo Olympics will be held without spectators at venues in Tokyo definitely did not help investor sentiment.
- China's central bank unexpectedly announced a broad-based cut in the cash banks must hold in reserve (Reserve Requirement Ratio cut by 0.5%)
- Earlier in the week, the Chinese State Council released guidelines pledging greater data security of tech companies for national security reasons and stepped up supervision of overseas listings, mainly directed at US-listed American Depositary Receipts.

EQUITIES *(local currency, price change)*

| | Last Price | 5 days | YTD | | 5 Years |
|----------------------|------------|--------|--------|--------|---------|
| | | | Local | EUR | |
| US | | | | | |
| S&P 500 | 4 370 | 0,4% | 16,33% | 19,83% | 105,2% |
| Nasdaq | 14 702 | 0,4% | 14,07% | 17,50% | 196,6% |
| Dow Jones | 34 870 | 0,2% | 13,93% | 17,36% | 92,2% |
| Europe | | | | | |
| Stoxx 50 | 4 068 | -0,4% | 14,5% | 14,5% | 43,3% |
| DAX | 15 688 | 0,2% | 14,4% | 14,4% | 62,9% |
| CAC | 6 529 | -0,4% | 17,6% | 17,6% | 55,8% |
| FTSE | 7 122 | 0,0% | 10,2% | 15,3% | 8,1% |
| AEX | 732 | -0,2% | 17,2% | 17,2% | 68,8% |
| BEL 20 | 4 184 | 0,3% | 15,5% | 15,5% | 26,0% |
| SMI | 11 990 | 0,2% | 12,0% | 12,0% | 49,2% |
| EM & Asia | | | | | |
| Nikkei 225 | 27 940 | -2,9% | 1,81% | -1,23% | 85,0% |
| Hang Seng | 27 345 | -3,4% | 0,42% | 3,26% | 33,0% |
| CSI300 | 5 069 | -0,2% | -2,72% | 0,95% | 58,8% |
| India | 52 386 | -0,2% | 9,71% | 10,76% | 93,1% |
| Russia | 3 855 | -0,3% | 17,22% | 21,56% | 103,5% |
| Brazil | #N/A N/A | -1,7% | 5,39% | 7,92% | 136,0% |

FIXED INCOME *(local currency, total return)*

| | Yield | 5 days | YTD | 5 Years | |
|------------------|-------|--------|-------|---------|------|
| US | | | | | |
| Government | 0,89 | 0,4% | -2,0% | 11,0% | |
| Investment Grade | 1,93 | 0,3% | -0,8% | 24,2% | |
| High Yield | 3,66 | 0,2% | 4,0% | 42,1% | |
| Europe | | | | | |
| Government | - | 0,01 | 0,3% | -2,3% | 7,1% |
| Investment Grade | 0,29 | 0,2% | 0,0% | 10,3% | |
| High Yield | 2,83 | 0,0% | 3,1% | 26,6% | |
| EM | | | | | |
| Global HC USD | 3,51 | 0,2% | -0,3% | 25,9% | |

EUR VERSUS MAJOR CURRENCIES

| | Last | 5 days | YTD | 5 Years |
|-----|--------|--------|-------|---------|
| USD | 1,19 | 0,1% | -2,8% | -8,2% |
| JPY | 130,80 | -0,7% | 3,7% | 29,9% |
| CHF | 1,09 | -0,6% | 0,4% | -10,3% |
| GBP | 0,85 | -0,4% | -4,4% | 7,2% |

COMMODITIES

| | Last | 5 days | YTD | | 5 Years |
|-------|----------|--------|-------|-------|---------|
| | | | USD | EUR | |
| Brent | 75,55 | -0,8% | 45,8% | 50,2% | -31,2% |
| Gold | 1 808,32 | 1,2% | -4,7% | -1,9% | 2,5% |

Source: Bloomberg, BIL, as at 09/07/2021

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