



Analyst Network Weekly Update - 10/05/2021

The 'everything' rally continues

- The global equity rally resumed last week (+1.2%), boosted by strong growth data and earnings. This extended the 'everything' rally, with equities +10% YTD, commodities +20%, bitcoin +99%, and only global bonds -4%, and USD +0.3% lagging behind.
- Cyclical sectors and value themes, such as energy and financials, have led equity performance. We see this continuing given their cheaper valuations and stronger earnings leverage to the GDP recovery.
- The Q1 earnings season is winding down and has dramatically beaten expectations, with EPS in US +50% yoy, and Europe +80%. Further GDP growth and earnings surprises are the key driver for markets, with valuations already at high levels.

Focus on central banks and inflation

- Global growth data continues to show a strong and spreading recovery. Exports from top manufacturing powerhouses China (+43% yoy) and Germany (+16% yoy) have both surprised expectations.
- With growth this good, the focus is shifting to tightening very loose monetary policy. The Bank of England was the latest to reduce the bonds it buys to hold yields down. We see the Fed not moving until Q4, especially after Friday's payroll report weakness.

The weaker USD helps many

- The US Dollar has resumed its gradual fall against global currencies. We see this continuing as international growth accelerates and the Fed stays 'dovish'. The DXY US Dollar index is -2.6% QTD.
- A weaker USD supports emerging markets (by easing financial pressures), commodities (as are denominated in USD), and US sectors with large foreign revenues, such as Information Technology with nearly 60% of revenues from overseas.

Move over Bitcoin as Altcoins surge

- Altcoins saw a broad rally, with all-time highs for ETH, DOGE, XTZ, ADA, LINK amongst others. This

saw Bitcoin (BTC) market cap. as percentage of total crypto assets ('dominance') fall to a 3-year low 46%.

- Fintech heavyweights Square (SQ) bitcoin revenues were 70% of total in Q1, whilst Paypal (PYPL), with crypto now as a US customer funding source, saw revenues rise +30% yoy, as crypto usage grows.

A focus on 'white gold' amidst commodity rally

- Lithium (so-called 'white gold') prices have been rallying as electric vehicle demand soars, and after years of falling prices cut supply. However, major producers SQM (SQM), Albemarle (ALB), Livent (LIV), and sector ETFs (LIT) have lagged so-far.
- Soaring commodity prices are also boosting inflation fears. But the real catalyst to watch is now wages, as economies and inflation baskets 'de-commoditised' in recent decades. Services are c70% of US GDP.

The week ahead: Watch the inflation surge

- US to see a further strong 3.8% estimated yoy 'transitory' inflation (Wed) pick up, and +30% retail sales (Fri) momentum, as the economy re-opens.
- Pace of European recovery in focus with UK Q1 GDP (Wed) forecast at -5.6% yoy, and May' German ZEW economic sentiment survey (Tue) seen flat.
- Q1 earnings season is winding down but Airbnb, Disney, Roblox, and Palantir Technologies due.

Top Index Performance

	1 Week	1 Month	YTD
DJ30	2.67%	2.89%	13.63%
SPX500	1.23%	2.51%	12.69%
NASDAQ	-1.51%	-1.06%	6.70%
UK100	2.29%	3.09%	10.36%
GER30	1.74%	1.09%	12.15%
JPN225	-1.89%	-1.38%	6.97%
HKG50	-0.40%	-0.31%	5.07%

*Data accurate as of 10/05/2021