The Primes

Research Department

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FED is King

Introduction

An increase of 20% surrounding the global rotation trade in the value shares within the growing stocks. The increase in the 10-year U.S. inflation-protected yields after the huge decrease was followed by the increase in cheap stocks compared to the highly priced peers as investors expected a stronger economy.

Equities

An additional increase in the value of shares of 15 to 20 percent is expected with the continuous path to 0 percent in the yield benchmark. The bases of the share growth in recent years led to negative real rates knowing that they let investors to explain the higher valuations. As the increase in real yields indicate that the U.S. economy is gaining power, the revolution into cheaper cyclical shares is happening due to the economic recovery. Theis value rotation will be covered by the 0% 10-year real yield which will trigger the Federal reserve to interfere to prevent the Treasuries from selling off further. This trend could be reversed through two scenarios; either the inability of the global economy to recover or additional central bank step ins to stabilize disorderly bond markets which would push the yields to negative levels. This rotation should be appreciated by value investors knowing that a natural cap on real yields might happen under the central bank duties to finance extravagant fiscal policy.

The FX

The dollar strength decreases in front of its major rivals as the US Treasury yields are easy-going. The 1.6% level has been cut by the yield on the benchmark 10-year note. After postponing the decision to roll out AstraZeneca's vaccines by the European regulator, the EUR/USD decreased below 1.19 even with the unsatisfactory slow down in the US retail sales. The Zew Survey on Economic Sentiment that was issued by Germany whipped all expectations and improved in March to 76.6. Moreover, the index for the whole EU was captured as 74 beating expectations. The US retail sales decreased by 3% in February even after the increase from 5.3% to 7.6% in January. The FX board is still stable waiting for the Federal Reserve announcement. Even with the success of the vaccination campaign, the bank according to Baily should purchase bonds at a high leap and. After the cut of several European countries for the highly used vaccine in the UK which is the AstraZeneca vaccine, the pound became in delay. With the help of weakening the dollar, the GBP/USD was able to recover. After the Fed decision announced on Wednesday, the 10-year Treasuries yields decreased to below 1.6% amid the upbeat in the market mood. It is expected that the central bank indicates an increase in the rate aftermarkets' lead which might lead the returns on US debt and the greenback to rush. USD/JPY appears to enter into an increasing phase close to multi-month highs. The JPY took advantage of the careful mood and increased for the major. Positive US outlook supported the greenback. During the European trading hours the AUD/USD decreased to 0.7700 and re-increased however it is expected to have a bullish move as it trades close to 0.7750.

Precious Metals

Gold is still surviving the strong US yields and dollars, and the metal have increased 0.28% to the USD 1732 an ounce. This trend happened in Asia as well as the gold increased to greater than USD 1735 per ounce. Gold is higher than last week's lows by 55 dollars per ounce which is a significant comeback. Underlying strength might be seen in the future after the backdrop that happened in recent times. However, if it negotiates the FOMC, where the Fed is expected to dissatisfy markets on holding down yields, gold might experience long term lows.

Crude Oil

Traders' main focus became on broader supply concerns that include OPEC breaks, the return of Shale and Iranian barrels coming back to market, despite the small amount of new fundamental news and sentiments delayed in union mode with the recent month-to-month organized moves. Higher prices are inspired by the US producers keeping discipline even with the increase in the prices of this year. Baker Hughes weekly data showed a decrease and based on the drillers' response caution should be undertaken after the move in the oil price. As market conditions become better, the recovery in crude prices is concerned with the uncertainty of breaking the OPEC+ solidity. Until now, OPEC + discipline is still on track despite the increase in prices in recent weeks.

Cryptocurrencies

Bitcoin was expected to keep the high values with the stimulus check inflows into the crypto however the flow was more than priced in. Even with the latest increase in the value, the price is expected to decrease in the short-term future. Moreover, efforts to tweet Doge higher and the coin lower have been encouraged giving the negative trend in the crypto world. The sell -off implies either the ruining of expectations for risky assets purchases with stimulus check money, or a big portion of money will be employed in paying tax liabilities, or with the reopening of the country cash will be known where to be used. However, the cryptocurrency should be always taken into consideration especially after becoming accepted by important tech companies and having a positive correlation with the stock market.

Conclusion

The Fed meeting has been awaited by analysts to publish economic expectations amid the fears about the economy and increase in interest rates. The Bofa's March fund manager survey proved on Tuesday the small rise in investors' cash allocation believing that inflation and taper tantrums might collapse the record rally in the financial markets.