The Primes

Research Department

Directors of Department Mr. Younan - Mr. Choucair

March 25th,, 2021

The U.S of A

Introduction

Throughout the year, equities have increased where the 3 main US averages surround their all-time records. Analysts expect growth to increase with the start of the government's stimulus application and the release of the economy. It would be the fastest growth in a generation if Fed's projections of 6.5% were met. In addition to that, keeping treasury rates and commercial reflections below historical levels, contribute to the increase in equity. It is important to note that the yield was over 2% from October 2016 to August 2019 and above 2.5% from January 2018 to March 2019. Moreover, the US economy's annual growth reached an average of 2.5% in 2017, 2018, and 2019. In the current year, GDP is expected to be more than twice as fast as those years. The US expansion is highly expected amid the Fed's confidence in the economy's ability to tolerate high rates. The increase in US yields benefited the dollar even when the greenback's profits were unbalanced and currency and rate specific.

The FX

The EUR/USD pair is close to levels seen in November 2020, which is 1.1850. The USD have taken advantage from the positive expectation regarding the US economy while the euro is facing difficulties with the slow vaccination campaign. Expectations were beaten by Eurozone PMIs which led to a stable euro. The GBP/USD pair decrease under the 1.37 after the USD gain of the ground across the board. The inability of the UK CPI to reach estimates by 0.4% and slowing the vaccination campaign led to an increased pressure on the pound. The GBP/USD decreased below the double-bottom of 1.3775 and it also undergoes a downside momentum on the four-hour chart. However, a rebound happens with oversold conditions which led to the drop of the Relative Strength Index below 30. Within the increase in the dollars power, the AUD/USD fights 0.7600, with markets avoiding risks during covid, vaccine concerns, and increase in China's growth. The weak atmosphere surrounding the crude oil prices damaged the loonie and increase USD/CAD bulls and this shows the pair's recovery after multi-year lows.

Precious Metals

Fed Chairman Jerome Powell moderating the bond yield rally and increasing the tolerance on inflation benefited gold, yet it continues its down trend in the short term. It is important to note that the market is close to the uncomfortable level that will force the Fed to interfere in the financial markets. In addition to that, an increase in the inflation should lead to an increase in interest rates at a slower rate than nominal yields, and if they fall they would lead to an increase in the price of gold.

Crude Oil

WTI diminishes February low's recovery steps with a decrease to $57.60 within Wednesday's Asian session. Hence, the oil benchmark tolerates the weight of the risk-off atmosphere after the relaxed private inventory data. The energy benchmark is threatened by the worries of slowing economic recovery and the increase in the USD strength. Additional weights on the risks come with the contribution of the fears of extended lockdowns, North Korea and China geopolitical fears to the doubts over the Sino-American trade deals. Hence, WTI traders will focus on the risk headings for new impulse and observe at the same time the US inventories, Durable Goods Orders, and the Fedspeak to hunt the corrective pullback before next week's OPEC meeting.

Cryptocurrencies

After last Friday, Bitcoin has been within the $56K-$60K range, having a decrease in momentum to retest the round level. Before taking a further step, traders choose to stop and let the cryptocurrencies market to calm down. Even with the $60K level acting as a resistance is a strong obstacle in front of additional market growth, optimistic expectations surround the market. The first reason for growth is found in initiatives taken by corporations and funds. For example, the Grayscale launched 5 crypto funds of $45 billion, however, the effect of such news weakens through time. Despite decreasing last May, records are being broken by bitcoin miners with $366 million gains last week after Bitcoin's bullish expectations. Hence, the asset price has increased with the decrease in issuance.

Conclusion

The circumstances for inflation are increasing with commitment to low rates and accommodative monetary conditions until the occurrence of full recovery with $3 trillion stimulus expenditure overflowing the economy with increase in growth and consumption. Increase in Treasury and commercial rates not only indicates a healed economy but are also used against inflationary and growth excesses. However, Mr. Powell's anxiety in increasing rates deprives him from benefiting from increasing rates.

