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Global indices hit record highs as rally resumes

By Aziza Kasumov

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US and global stocks hit record highs on Monday as Joe Biden's administration kept the pressure on Congress over his plan for \$1.9tn in stimulus.

Wall Street's S&P 500 index rose 0.7 per cent to close at a record high of 3,915.59 as equities rallied into the close. The blue-chip index notched its sixth consecutive gain and its longest winning streak since August.

The tech-heavy Nasdaq Composite rose 1 per cent to a record high of 13,987. The FTSE All-World indices also hit a fresh peak, rising 0.6 per cent.

Over the weekend, Janet Yellen, US Treasury secretary, urged lawmakers to pass the fiscal stimulus package. Responding to claims that its scale could fuel inflation, she argued that the biggest economic risk was not doing enough to help small businesses and the unemployed.

The size of the proposed package had been criticised by Lawrence Summers, who served as Treasury secretary under Bill Clinton and was Barack Obama's top economic adviser. Summers warned that President Biden's plan might trigger "inflationary pressures of a kind we have not seen in a generation, with consequences for the value of the dollar and financial stability".

"With this tsunami of liquidity coming into the system, we're likely to see higher inflation ahead, and the market is starting to actually price that in," said Jimmy Chang, chief investment officer of the Rockefeller Global Family Office. "We're seeing that in the rising break-even rate." The 10-year break-even rate, a market measure of investors' inflation expectations, climbed to 2.2 per cent on Monday, its highest level since 2014.

Still, for stock investors, the prospect of increased stimulus continues to outweigh the economic damage caused by the pandemic.

"Last week we had a pretty bad jobs report in the US, but it's one of those cases of 'bad news is good news', at least as far as the markets is concerned, as it increases the chance of a large package," said Hani Redha, portfolio manager at PineBridge Investments. "That will have a spillover effect in European markets."

Investors also welcomed news that coronavirus infections are trending lower after the US on Sunday reported fewer than 100,000 new cases for the first time in more than three months.

The region-wide Stoxx Europe 600 index closed up 0.3 per cent and London's FTSE 100 benchmark gained 0.5 per cent.

In Italy, Mario Draghi's hopes of forming a government received a boost over the weekend after the anti-establishment Five Star Movement and the Eurosceptic League offered

conditional backing. "It looks like Draghi has the support to form a government, and that will be welcomed by the markets," said Redha.

Milan's FTSE MIB index climbed 1.5 per cent after adding 7 per cent last week.

The inflation talk encouraged a further sell-off in US Treasuries. The yield on the 10-year note rose as much as 0.03 percentage points to 1.20 per cent, before easing back to 1.17 per cent.

The yield on the equivalent 30-year Treasury, meanwhile, topped 2 per cent for the first time in a year, before sliding slightly to 1.96 per cent.

Elsewhere in markets, Bitcoin climbed to a record high after Elon Musk's electric carmaker Tesla bought \$1.5bn of the cryptocurrency.

Brent crude rose more than 1 per cent, crossing above \$60 a barrel for the first time since January 2020, as traders bet that the market is rapidly tightening because of Saudi Arabia-led supply cuts and a sharp drop in investment in the industry.

The US marker, West Texas Intermediate, climbed by a similar margin to above \$58 a barrel.

In Asia, China's CSI 300 index closed up 1.5 per cent, and Japan's Topix rose 1.8 per cent to reach its highest level since 1991.