JANUARIUS HOLDINGS INC.

Investment and Research Group

Asia Stocks Dip, Yields Hold Drop on Growth Worry

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- Asian stocks and U.S. equity futures dipped Friday amid concerns about the economic growth outlook and coronavirus flareups in some parts of the world. Treasuries and the dollar held advances.
- Shares posted modest drops in Japan, China and Hong Kong. China Evergrande Group soared after the country's most-indebted developer said it will consider a special dividend. U.S. contracts slipped after energy and technology sectors led Wall Street lower. Moderna Inc. rallied in extended trading on an announcement that the vaccine maker is set to join the S&P 500.
- Federal Reserve Chair Jerome Powell overnight defended the central bank's accommodative stance in the face of uncomfortably high inflation. Officials expect a transient surge in price pressures amid the reopening from the pandemic, but some others fear stickier inflation that could hurt economic prospects. The 10-year Treasury yield is set for a third weekly retreat.
- Crude oil steadied but was on course for the biggest weekly decline since mid-March, hurt by virus flareups and amid uncertainty over an OPEC+ deal to boost supply. New Zealand's dollar jumped after the nation's inflation breached the central bank's target range, reinforcing bets on an interest-rate increase.
- Global stocks remain near record levels but face risks such as an eventual tapering in Fed bond purchases, Covid-19 delta-variant outbreaks and some signs of peaking economic and corporate earnings momentum.
- "It's possible that we've reached peak growth, but that doesn't necessarily mean the cycle is rolling over," said Giorgio Caputo, senior fund manager at J O Hambro Capital Management. "When you factor in those peak growth concerns, as well as what's been going on with the delta variant and the way interest rates have been declining, it does seem like we're having a little bit of a growth scare."
- Powell has said the U.S. recovery has some way to go before the central bank can start tapering economic support and that it's closely watching inflation. Treasury Secretary Janet Yellen said she expects "several more months of rapid inflation" while adding expectations for price gains still look well contained.
- Some commentators see a stronger case for scaling back emergency policy settings. Federal Reserve Bank of St. Louis President James Bullard urged policy makers to move forward in reducing stimulus, arguing the goal of achieving "substantial further progress" on both inflation and employment has been met.
- "At least for the next 12 to 18 months we're going to be living in a period of heightened inflation pressures," Sean Darby, global equity strategist at Jefferies, said on Bloomberg Television. "The good news is at least for the next 12 months I don't think the profit cycle is going to pull the rug from under the feet of equity investors. It's still a reasonable environment for equity markets to outperform other asset classes."
- Elsewhere, the Biden administration is set to issue an advisory cautioning U.S. companies about the risks of doing business in Hong Kong as China tightens its control over the island, the latest chapter in the ongoing tension between Washington and Beijing.

Source: *Summarized from various business articles.*