

Markets Briefing **Equities**

Wall Street stocks climb ahead of crowded earnings week

Confidence improves over travel and trade despite Covid surge in India



Ursula von der Leyen, European Commission president, said fully vaccinated US citizens should be able to travel to the EU in the summer © Reuters

Naomi Rovnick in London 2 HOURS AGO

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Global equities and government bonds drifted on Monday as investors balanced expectations of a global recovery from coronavirus with caution ahead of the US Federal Reserve's meeting this week.

The blue-chip S&P 500 index rose 0.1 per cent in the first half an hour of Wall Street dealings and the technology-focused Nasdaq Composite traded flat, as investors questioned whether a global stock market rally had much further to go after months of pricing in good news. Europe's Stoxx 600 index gained 0.3 per cent.

Many of the world's largest companies, from General Electric to Facebook, report quarterly earnings in the coming days. Analysts expect companies in the S&P 500 to report the strongest quarterly progress since 2018.

Ursula von der Leyen, European Commission president, [told](#) the New York Times that fully vaccinated US citizens should be able to travel to the bloc in the summer. Asian financial hubs Hong Kong and Singapore also announced the start of a travel bubble from May 26.

But after the FTSE All World index hit a record high in mid-April in anticipation of this performance, some investors expect global markets to move from applauding recovery to anticipating a slowdown.

“It will be crucial to see whether companies will give strong enough guidance [on the next quarter] to sustain very high valuations,” said Gergely Majoros, portfolio adviser at Carmignac. “The evolution of the economic cycle next year could be a slowing of the recovery, and this would be a difficult transition for investors.”

The yield on the benchmark US Treasury was unchanged at 1.567 per cent ahead of the Federal Reserve’s latest meeting, which starts on Tuesday. Germany’s equivalent 10-year Bund yield was similarly flat at minus 0.259 per cent, hovering at around a two-month high after demand for the haven asset faded as Europe [accelerated](#) its vaccine rollouts.

The Fed has bought about \$120bn of bonds a month since last March to push down borrowing costs and support financial markets through the pandemic. GDP data released later in the week is expected to confirm the economy has rebounded strongly in recent months thanks to a rapid vaccine rollout and fiscal stimulus.

Analysts do not widely expect the world’s most powerful central bank to discuss raising interest rates or reducing its asset purchases this month, even after US president Joe Biden unleashed \$1.9tn of stimulus spending and announced [plans](#) to spend a further \$2tn on infrastructure. But taper talk could begin as soon as June, according to some economists.

Jay Powell, Fed chair, is likely to reiterate that raising the US’s main interest rate is “a long way off” in his Wednesday press conference, ANZ economists Tom Kenny and Rini Sen wrote in a research note. “We anticipate that at the June meeting, should the economy continue to advance at a rapid clip, the Fed will be open to discussing tapering.”

Brent crude, the international oil benchmark, fell 1.5 per cent to \$65.12 a barrel as commodities investors reacted negatively to India’s surge in coronavirus cases. India is the world’s third-largest importer of oil.

The dollar index, which measures the currency against a basket of those of significant trading partners, lost 0.1 per cent to hit its weakest level since March 3.

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