

Blackfort Insights 25.02.2021

A minor pullback – is it already over?

Two weeks ago, we have raised the question "To correct or not to correct? After a minor pullback in the broad market and sharp selloffs in highflyers like Tesla or GameStop broad market indices look from a technical standpoint ready for a next leg up. The RSI came down to a neutral territory and indices tested the 50-day average. This pullback happened without a significant rise in trading volume. By the contrary at lower market levels we have seen inflows into equity funds. Buy the dip is still the favorite strategy.

The pending US fiscal stimulus package which could be as high as 9% of US GDP, might push global GDP up by around 1-1.5%.

We had on top Fed Chair Powell testifying twice in front of US parliaments and twice during and after his speech US markets rallied. Lower for longer and the downplaying of inflation fears were enough to stabilize US equity markets.

Fig. 1: Nasdaq 100 trades after the pullback again above its 50-day average



Fig. 2: Russel 2000 has consolidated without a significant pullback



Fig. 4: Corporate bonds' spreads did (so far) not react to rising treasury yields.

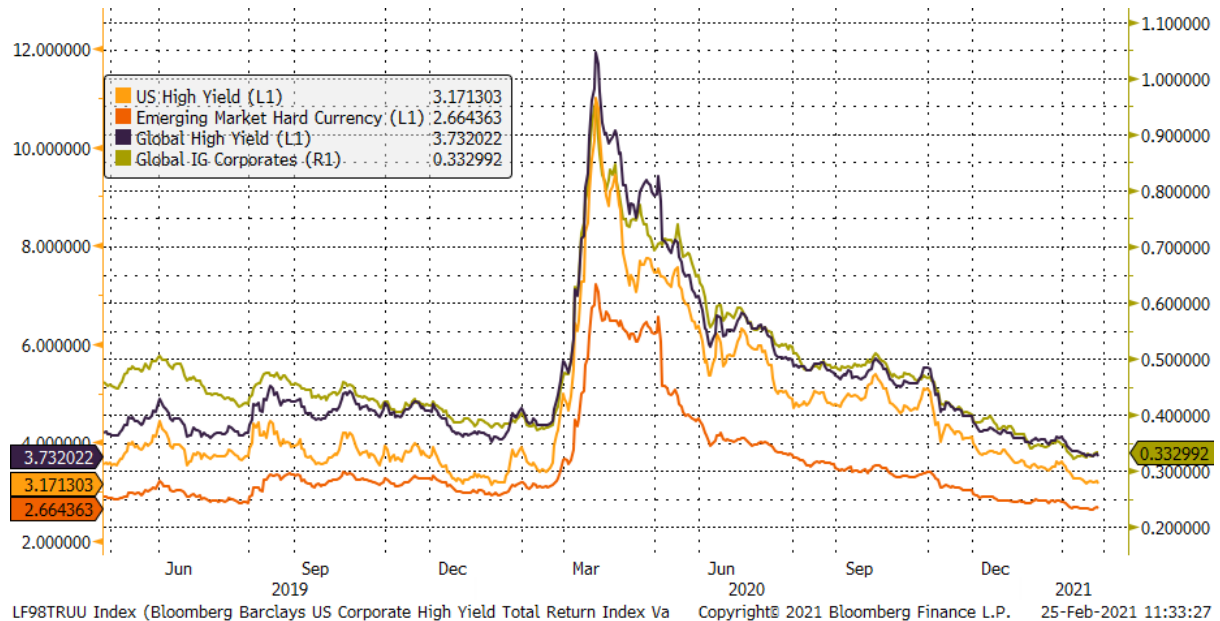


Fig. 5: The US yield

Fig. 6: Copper continues to rise, indicating a strong increase of demand from industrials



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