

Investment and Research Group**Stocks Extend Drop, Yields Dip Amid Growth Caution**

(July 19, 2021)

- Asian stocks and U.S. futures fell early Monday on concerns about the impact of elevated inflation and Covid-19 outbreaks on economic prospects. Treasuries climbed and oil slipped after an OPEC+ supply deal.
- Shares fell in Japan, Australia and South Korea. U.S. futures dropped after the S&P 500 fell for the first week in four. The rally in Treasuries continued, sending 10-year yields further below 1.3%.
- Oil slipped after OPEC+ agreed to boost production into 2022, resolving an internal dispute that had shaken the alliance. The yen advanced and the dollar was steady amid cautious sentiment.
- A global rally in equities has paused amid a debate on whether price pressures will temper the economic rebound from the pandemic, in part by leading central banks to pare monetary policy support. Investors are also trying to make sense of the decline in Treasury yields. For some, the trend is a signal of cracks in the global recovery as the delta Covid-19 variant forces some nations to impose virus curbs, while for others the bond rally has likely gone too far.
- “The Covid backdrop is just one of several factors that may be adversely impacting the reflation trade,” Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets, said in a note. Others include the prospect of the Federal Reserve tapering stimulus and hiking sooner than expected, she wrote.
- Elsewhere, the pound was steady with the U.K. government due to lift remaining virus curbs in England. At the same time, Prime Minister Boris Johnson agreed to self isolate after being exposed to Covid-19.