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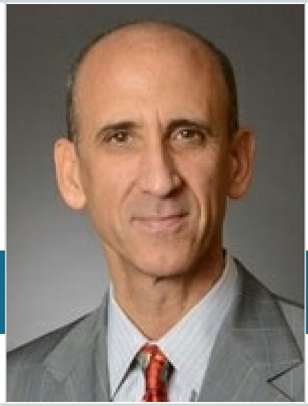

Amadeus Wealth Alternatives
Your Compass to Alternative Investments

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In this week's recap: The markets went back to basics this week, showing optimism for positive COVID-19 news.

Weekly Economic Update

Presented by Ed Papier, February 8, 2021

THE WEEK ON WALL STREET

Stocks notched strong gains last week, paced by a string of solid economic reports and consensus-beating corporate earnings.

The Dow Jones Industrial Average gained 3.89%, while the Standard & Poor's 500 advanced 4.65%. The Nasdaq Composite index jumped 6.01% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, climbed 1.96%.[1,2,3]

BULL STORY REMAINS INTACT

As the social media trading frenzy fizzled, investors were able to focus on more fundamental issues, like economic data and a fresh batch of corporate earnings. Pleased by an economy that appeared to be growing stronger, coronavirus cases in decline, and an improving vaccine rollout, investors bought stocks with enthusiasm.

The rally last week was broadly based, with the Energy, Financial, Communication Services, and Technology sectors posting gains.

The stock market's optimism on an improving economy was seconded by the bond market as the 30-year Treasury rate rose to nearly 2.0% by Friday. When yields rise, bond prices fall. Falling bond prices may indicate that investors are less interested in Treasuries and more interested in other investments that benefit from a stronger economy. Rising yields may also reflect worries that a growing economy may spark inflation that may lead the Fed to rethink its zero-rate policy.[4]

THE INEVITABLE DENOUEMENT

It was just two weeks ago that a social media chat forum appeared to contribute to a buying frenzy in a handful of struggling companies, unsettling Wall Street and capturing the nation's attention.

These stocks staged a broad retreat last week as more was learned about the trading activity.

A similar social media-inspired buying effort was also initiated on silver. But silver prices experienced a modest gain before quickly reversing direction just days later.[5]

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: JOLTS (Job Openings and Labor Turnover Survey) report.

Wednesday: Consumer Price Index (CPI).

Thursday: Jobless Claims.

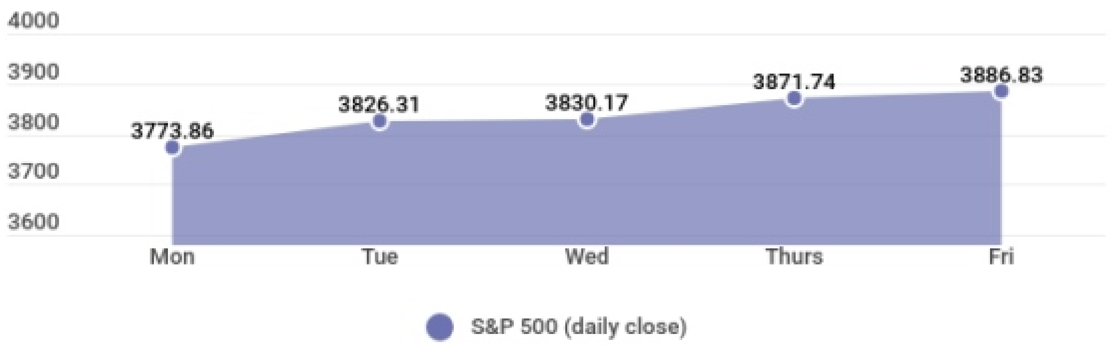
Friday: Consumer Sentiment.

QUOTE OF THE WEEK

*"America will never be destroyed from the outside.
If we falter and lose out freedoms,
it will be because we destroyed ourselves."*

ABRAHAM LINCOLN

Market Index	Close	Week	Y-T-D
DJIA	31,148.24	+3.89%	+1.77%
NASDAQ	13,856.30	+6.01%	+7.51%
MSCI-EAFE	2,165.73	+1.96%	+0.85%
S&P 500	3,886.83	+4.65%	+3.48%



	Treasury	Close	Week	Y-T-D

🇺🇸	10-Year Note	1.17%	+0.06%	+0.24%

Sources: The Wall Street Journal, February 5, 2021; Treasury.gov, February 5, 2021
Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, January 29, to Friday, February 5, close. Weekly performance for the MSCI-EAFE is measured from Friday, January 29, open to Thursday, February 4, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE:

For every action, there is an equal and opposite reaction. In the case of international trade and global payments, the U.S. made aggressive use of sanctions and tariffs. With some merit, Washington has argued that these actions level the playing field for global trade or punish bad global actors. But a series of equal and opposite reactions are occurring as nations move to remove the role of the U.S. dollar at the center of global trade and finance.

This phenomenon will have a long-lasting structural impact in ending the dominance of the dollar as the world's reserve currency.

Over the past years, the U.S. set out to address inequities in the global trade environment by imposing tariffs and sanctions on various countries from China to Mexico and Canada with the rewriting of the North American Free Trade Agreement into the United States-Mexico-Canada Agreement. Even the countries in the European Union were affected. In addition, Washington implemented sanctions against Russia in 2014 in response to Moscow's annexation of Crimea, and more recently against Iran and Venezuela, effectively using the dollar's role at the center of global trade and finance to force compliance of other nations. These actions impacted nations beyond those directly targeted by the U.S. action, and today many governments around the world are taking countervailing steps to remove their reliance on the dollar-based global trade and finance system that has reigned since 1944.

In November, 15 Asian countries, comprising 30% of global GDP, signed the Regional Comprehensive Economic Partnership (RCEP), creating a free-trade zone among the signatories. This agreement attempts to provide gains to trading within the regional partnership through reduction of trade and investment barriers, and increased incentives for economic integration. It is noteworthy that RCEP came about without participation of either the U.S. or Europe, and has effectively created the world's largest trading bloc, according to the Rand Corp. Beyond the obvious benefits for economic growth in the region, a more-subtle byproduct of this agreement is to focus on bilateral settlement of trade, effectively removing the dollar as the standard unit of transaction for regional trade, according to economist and geopolitical analyst Peter Koenig, a veteran of more than 30 years with the World Bank.

Asia is not the only region taking steps to disentangle itself from the U.S. dollar standard in global trade and payments. The European Commission, the executive branch of the 27-country European Union (EU), released a communication explicitly stating the goal to strengthen the "international role of the euro." This goal would "help achieve globally shared goals such as the resilience of the international monetary system, a more stable and diversified global currency system, and a broader choice for market operators." The communication also highlights the use of sanctions by other countries, which hurt domestic EU interests, as an additional reason for taking action to make the EU more autonomous in the global trade-and-payments infrastructure.

The Society for Worldwide Interbank Financial Telecommunication (SWIFT), the largest global payment settlement network, has already experienced drop-off in dollar transactions in its most-recent readings. It is interesting that this occurred after the implementation of RCEP, although the timing also comes in the wake of the COVID-19 pandemic and resulting economic disruptions.

An additional element to watch will be the allocation of global central banks' foreign currency reserves to the dollar. Non-dollar currencies recently have strengthened as the dollar has sold off. This has given many nations the opportunity to start to intervene to help stop the appreciation of their currencies and to rebuild their reserve buffers. Historically, the bulk of international reserves has been in the dollar. Today, a close eye should be kept on these allocations. If holdings in the U.S. currency decrease as a percentage of the total currency reserves while non-U.S. countries are building those reserves, that could mark a significant change in their behavior. In fact, perhaps such a deliberate policy change might have already begun. Data published by the European Central Bank (ECB) and the International Monetary Fund (IMF) show a decline in the dollar as a percentage of total currency reserves since about 2016.

For the postwar period, the United States wielded the dollar's central role in global trade and finance to its advantage, trying to even the playing field for trading relationships and as a sanctioning facility. The end of this powerful, unipolar advantage might be at hand. The pendulum is swinging in the direction of a new, multipolar world. Countries are reclaiming autonomy in global trade, payments and finance. With the implementation of more regional trade agreements with local currency settlements, the dollar's once-dominant role in global finance likely will continue to erode.[6]

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Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

CITATIONS:

1. The Wall Street Journal, February 5, 2021
2. The Wall Street Journal, February 5, 2021
3. The Wall Street Journal, February 5, 2021
4. The Wall Street Journal, February 5, 2021
5. CNBC, February 4, 2021
6. zerohedge.com/geopolitical/doubleline-warns-events-are-motion-remove-dollar-reserve-currency