

# Market Comment | Bets on tighter US monetary policy and French politics drove the markets

Global Financial Markets Unit  
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- **USD appreciated** and US sovereign bond yields rose, after expectations of a tightening Fed's monetary policy path were rekindled ([see](#)) by comments from Patrick Harker and Loretta Mester, both supporting the **potential for US interest rates to rise next month**. Gold prices suffered from the prospect of higher US interest rates, as did EM currencies.
- Stocks rose in Europe as **EZ PMIs surprised to the upside** in February, pointing to improved growth in 1Q17, thanks to the increase in new orders as well as backlogs of work and employment. Moreover, **positive retail earnings in US** underpinned the positive sentiment in equities.
- **EUR depreciated** despite strong economic data, on the back of perceived European political risk, as **French elections** remained in the spotlight. Opinion polls showed Marine Le Pen narrowing the gap ([see](#)) with other French presidential candidates. As a result, European sovereign bond yields rose across the board.
- **German 2-year** sovereign bond yields however hit a record low due to the ECB's new rules on bond purchases, allowing for specific debt purchases with yields below deposit rate if necessary.
- **Oil prices** rose significantly, hovering around a 7-week high, following the OPEC Secretary General's comments ([see](#)), expressing confidence in a **higher level of compliance** with oil production curbs in the coming months. Moreover, for the first time ever **hedge funds** hold more than a billion barrels worth of bets that crude oil prices will rally, extending their faith in supply cuts.
- **Yesterday's Eurogroup** provided relief to Greek debt (sovereign bond yields declined significantly all along the yield curve), after the Eurogroup found **common political ground** ([see](#)), paving the way for agreement on policy reforms among the three institutions (EU, IMF and Greece).

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Table 1

















Source: Bloomberg, Datastream and Haver  
\* With one day delay

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