



CIO OFFICE MORNING MARKET WRAP

6 November 2024

America has voted, with a few hours left for the last 9 states as we write this morning. The first results are being released with a small lead for Trump, but the picture is far from complete: it may become clear in the coming hours or take days or weeks in case of dispute.

Markets clearly lean towards a Trump victory as we write this morning. After a positive session for US stocks yesterday (global stocks gained around 1% on average and bonds were overall flat), future contracts gain another 1% this morning and US Treasury yields sharply rise in Tokyo trading, between +8 basis points for the 2-year to 4.26 and +11 basis points for the 10-year to 4.38. The dollar gains +0.8% against trade-weighted counterparts and more against the Mexican peso. Another “Trump trade” is bitcoin, up an impressive +5%. Gold is stable at \$2,745 and Brent crude is down -0.4% to \$71.7. Again, the coming hours may provide a clear result, or be the beginning of a long wait.

Back to business as usual with a rafale of leading indicators released yesterday. Aggregated PMIs were strong for KSA at 56.9 and for the UAE at 54.1, both accelerating from September levels. PMI Services in the UK also printed higher at 52. In the US, the S&P PMI Services came out at 55 and the ISM Services even better at 56, with a sharp acceleration in the employment component and new orders broadly in line with expectations. No doubt, the US economy remains very robust. In corporate news, Saudi Aramco reported solid revenues but a 15% drop in their earnings due to lower oil prices. We are still talking about more than \$27bn of net profit, with robust margins and a strong free cash flow generation. The company has decided to continue distributing the world’s largest dividend, close to \$30bn.

Turning to Asia, Japan’s PMI Services just came out at 49.7, a marginal improvement after September’s 49.3. Stocks are up +1.8% there as the yen is logically weaker. China’s domestic markets gain 0.8%, Korea is flat, and Hong-Kong is down -0.8%.

Today will of course be dominated by the results, state by state, of the US elections. As we previously wrote, a “red sweep” with Mr Trump at the White House and a Republican majority in congress would be the most radical for markets, with potentially more gains for stocks and more pain for bonds as an instant reaction – and more nuances later. A “blue sweep” could have the opposite effect. If history is a guide, markets on aggregate would prefer to see a congressional counterpower for the next President. The worst would be disputed result: it took 4 days in 2020 to announce the official winner, and around a month in 2000 between Mr Bush and Mr Gore. Our positioning remains slightly defensive, but we have determined a level to increase equities to neutral in case of a drop. Today, we will look at PMI Services for India and the Eurozone and watch any news from China’s Congress. The Fed starts their policy meeting today and will conclude tomorrow at 11PM Dubai time.

Have a great day.

Chief Investment Office
Wealth Management,
Emirates NBD.

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