



CIO OFFICE MORNING MARKET WRAP – 1st February, 2022. ALSO AVAILABLE ON ALEXA.

The last day of January was positive for global markets. Stocks added +1.1% on average in developed markets, led by a +2.2% rally in the US, and +0.6% in emerging regions. Dip buyers are clearly present, comforted by a so far positive earnings season. The tech sector outperformed, with the Nasdaq gaining +3.4% on Monday. Tesla or Spotify were up by double digit. Volatility on interest rates abated. The US 5-year Treasury yield was unchanged at 1.61%, while the 10-year added 1 basis point to 1.78% and the 30-year, 4 basis points to 2.11%. The trade-weighted dollar was -0.2% lower. The price of Brent crude oil added another +1.3% to close at \$91.2, with still elevated geopolitical tensions as a backdrop. The situation between Ukraine and Russia remains tense, with the UN Security Council voting for an open hearing on the topic. Closer to us, the UAE intercepted another missile attack from Iranian-backed Houthi fighters.

Staying in our country, the government announced a federal tax on corporate profits in a move reaffirming the commitment of the UAE to meet international standards, which can be linked with the G20-endorsed plan for a global minimum tax. The new 9% tax should come into effect in June 2023 with a threshold of AED 375,000 in annual profits. Some tax incentives should remain in place for free-zone entities meeting necessary requirements, and the measure has been carefully crafted to minimize adverse consequences. No corporate tax will apply on personal income from employment, real estate and other investments.

After a terrible January, February starts well on Asian markets as we write, Equity markets are up, led by the tech sector on the heels of Monday's Nasdaq rally. Stocks gain +1.9% in Korea, +1% in Hong-Kong and +0.8% in Japan, while China's domestic markets remain closed for the Lunar Year holiday. Australian shares rise ahead of the RBA meeting which will start a busy week for central banks with, according to expectations, a revision in inflation forecast and an announcement of the end of quantitative easing. Interest rates on the US dollar are marginally lower and future contracts on Western stock indices are steady, while oil prices are slightly firmer. Major cryptocurrencies are also well oriented, with bitcoin close to \$39,000 and ether above \$2,700.

Today will provide many economic data, especially manufacturing PMIs in Europe and the equivalent ISM index in the US at 7PM Dubai time. The median forecast for the latter is a healthy 57.5, after 58.7 in December. With regards to corporate earnings, Alphabet, Google's parent company, will be the focus of the day, with many global blue chips from Exxon to UBS or Gilead also reporting their quarterly numbers.

Stay safe.

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