



CIO OFFICE MORNING MARKET WRAP – 1st June, 2021. ALSO AVAILABLE ON ALEXA.

European and Asian stock markets fell Monday with UAE equity gauges mixed, however ending a very positive month for most major global equity indices. Trading was light with holidays in the U.S. and the U.K. This morning Asian markets are mixed with Japan slightly lower as is China with Hong Kong trading up. Global equity, fixed income and commodity markets in May were dominated by inflation concerns, virus resurgence in Asia, reopening's in the US and Europe and the strong international economic and corporate profit recovery. Global equities gained 1.6% in May with emerging markets higher at 2.3% gains. Recovery stocks and cyclical sectors continue to lead returns. India and the UAE stand out with +8% performance for May.

The reopening of the UAE economy with the strong vaccine rollout has reinforced confidence in the stock market with trading volumes improving and bank and telecom stocks leading gains and real estate stocks more recently adding to the rally. India's GDP for the March 2021 quarter is at +1.6% from a year ago beating consensus estimates of 1%. Consensus is for a 10% growth for the next fiscal year. However, the recent resurgence of the virus could lead to some disappointment next quarter with a loss of mobility, discretionary spending and employment.

Oil is up this morning as OPEC+ meets to discuss supply policy and is expected to go ahead with a gradual increase completing the return of 2 million barrels a day. The GBP is at 1.42 against the USD and the Euro at 1.22 both continuing to trend up. China has instructed banks to hold more foreign currencies in reserve to rein in the surging Yuan. Gold is slightly higher at 1911 as are 10-year US treasury yields at 1.61%. After seeing 1.77% earlier this year consolidation has played out with the US 10-year trading around 1.60% recently. The present tone of calm has not been disrupted by the evidence of hotter inflation readings or hints from Fed officials that they are looking at a “taper”. The Fed is still purchasing \$120bn of Treasury and mortgage debt each month and its balance sheet has doubled in size to \$8tn from the start of 2020.

Europe’s Stoxx 600 index closed down 0.5% yesterday and in line were the German Dax and Spain’s IBEX Index. Data showed inflation in both countries rose to 2.4% in May. European stocks have recorded their fourth consecutive month of gains with the MSCI Europe +4% in May and +12% year to date in Dollar terms, as confidence in economic recovery grows and its vaccination programme accelerates. The latest Economic Sentiment Indicator survey released by the European Commission on Friday showed confidence across the eurozone in May was running “markedly above its long-term average and pre-pandemic level”.

China’s baby food stocks are gaining on the new 3 child policy and in Spain electricity companies fell on a new government directive to reduce energy costs. Italy Q1 GDP and key European PMIs out today with key US manufacturing and jobs data to be released later this week.

Stay safe.

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