



## **CIO OFFICE MORNING MARKET WRAP – 1st September, 2021. ALSO AVAILABLE ON ALEXA.**

The current rally in risk markets had a little pause on Tuesday. Global stocks were little changed, slightly down in the West. The fixed income asset class was affected by modestly rising rates: the US 10-year Treasury yield added 3 basis points to 1.31%. The price of Brent crude had a -0.6% consolidation to close at \$73. This wasn't an eventful day with no major data release. US consumer confidence was a bit weaker than in July, home prices a bit higher, but nothing really breaking.

As we write, the mood is different this morning on Asian markets, with a fresh wind of optimism. Stocks are up 1,8% in China's onshore markets, followed by Japan, up 1.2%, then Hong-Kong at 0.8%. Economic data confirms a slowdown in China but it only increases the probability of some response from the authorities. There are two opposite forces on the market: on one hand, the regulatory crackdown continues, including yesterday's speech from President Xi which highlighted the fight against "monopolies" – this doesn't sound good for big tech, again. There are also some idiosyncratic risks such as the worrying debt situation in real estate developed Evergrande. Many reasons for international investors to flee. On the other hand, from a more "top down" perspective, the valuation discount to the developed world is close

to record levels, which doesn't give any value to the undoubtedly favorable growth differential looking forward – especially at a time when more economic stimulus could be decided. This is why we remain invested, close to neutrality as of now -marginally above indeed. Our strategic allocation to EM assets is however higher than our competitors, as we have no doubt that the risk-adjusted expected returns there are the best for the long-run.

Today will be rich in news. Starting with economic data, we will look at manufacturing PMIs in all major European countries for August – they are all expected to be well above 55, and at 61 for the Eurozone as a group – very high levels. The US equivalent, the ISM manufacturing, will be released at 6PM Dubai time. Consensus expects 58.5 which may look a bit optimistic. Finally, the OPEC+ group will hold a virtual meeting later today where the Ministers are expected to approve another 400,000 barrels per day increase in production for October.

Stay safe.

**MAURICE GRAVIER**  
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