CIO OFFICE MORNING MARKET WRAP – 2nd June, 2021. 
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The to and fro between economic optimism and inflation concerns continues to play out in markets. This morning Asian shares have Japan up half a percent with China and Hong Kong slightly down, following an uneventful Tuesday close. Global equities eked out small gains, supported by European markets. UAE had both bourses up with Dubai banks and real estate sector stocks in the lead. India was flat, following the better-than-expected GDP report. U.S. equities finished close to flat, following the long holiday weekend. Strong global economic data, with robust U.S. manufacturing reports, reiterated optimism on the economic recovery and cyclical sectors Energy, Industrials and Materials outperformed. The data lifted yields, benefiting bank stocks and the S&P 500 Financials Index hit a new record. Growth-related stocks, i.e., tech was subdued. Gold came under pressure and is slightly below $1900.

Brent settled above $70 a barrel for the first time since 2019 as OPEC+ provided an optimistic demand outlook and members ratified an output boost for July, though stuck with plans to only gradually release barrels into a strengthening oil market. Also it looks like Iranian barrels will not be returning to the market in the near future. Oil is up 40% this year as the recovery boosts the outlook for fuel consumption, despite a Covid-19 resurgence in countries such as India, which has the lowest gasoline demand in a year. The IEA sees global demand rebounding to pre pandemic levels in a year. Demand is supported with busy U.S. airports with 2 million passengers a day on the Memorial Day weekend and accelerating road mobility numbers.
Our inhouse estimates are for an average of USD 70/b in Q3 and Q4 2021 for Brent futures and USD 65/b for WTI over the same periods. A tighter oil market with the IEA talking of the lower investment from oil producers with net zero carbon emission goals in the headlights.

Whilst the US ISM PMI of manufacturing activity is in expansion territory many US companies are talking of shortages of basic critical materials, rising commodity prices, transportation bottlenecks and labour shortage. The last brings into focus the importance of Fridays job report. Also, whilst the broader tech sector is seeing different forms of fatigue, eventually strong businesses will reflect in share price performance. Zoom Video Communications stated revenue tripled in Q1 as the hybrid model of working from home and office premises looks here to stay, though Zoom/ video conferencing fatigue looks like its setting in with “you’re on mute” a much dreaded byline of many calls! Zoom joins Cisco and Salesforce in upbeat projections on the use of remote working tools.

Stay safe.

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