



## **CIO OFFICE MORNING MARKET WRAP – 2nd August, 2021. ALSO AVAILABLE ON ALEXA.**

Asia equities are up this morning with both mainland China and the Hang Seng Indices up around a percent and Japan up 2%. This follows an up day for UAE markets with both Dubai and Abu Dhabi indices closing in the green, following strong results and consequent gains from Etisalat, a large weight in the AD equity index.. The small gain in China equities follows a week and month long sell off of China tech and education stocks on regulatory tightening on data privacy and focus on social economic issues around the high prices of private online tutoring. Last week saw US equities down about 0.4% for the S&P 500 and -1% for the Nasdaq. Year to date the S&P 500 is up 18%, with 6 months of consecutive gains. The S&P 500 has doubled from 2192, the low of Mar'20, the recent China contagion is positive for rotation from China to US tech which is seeing inflows after a weak H1 of inflows. The S&P 500 has not seen a 5% pullback since October, which typically occurs twice a year and Europe performance has been in line both benefiting from the strong vaccine rollout. Inflows remain a key bullish catalyst for stocks, along with the central bank liquidity tailwind, excess savings from fiscal stimulus, pent-up demand, reopening momentum, vaccinations and record earnings growth.

US equities should manage to retain gains with the Bipartisan group of Senators and White House having finalized the details on the \$ one trillion infrastructure package though the path to additional stimulus remains complicated by the reconciliation bill and risk surrounding taxes. Whilst monetary policy has interest rates at record lows, concerns around inflation, still classified as transitional are rising around wage pressure with US businesses increasingly seeing labour shortage, preventing a full resumption of business. Treasury yields are steady with the 10 year at 1.22% and gold slightly down at \$1811. Oil Brent futures are at \$74.5.

Delta variant concerns are mounting but global vaccines have surpassed 4 billion, the world population is at 7.9 billion. The cyclical trade seems to be catching a breather with the MSCI Growth Index now at par with Value year to date and sector gains getting more in line. 8 of 11 sectors globally have mid to high teen year to date gains with energy still leading at +21.8%. The more defensive sectors are the only ones with low gains in the single digits i.e. Utilities and Consumer Staples. Technology has caught up but the Amazon guidance on slower growth fits into the peak growth theme, it also fits with economic normalization trends.

On moving company news: Square to buy Afterpay for \$ 29 billion; Robinhood debuts on the NYSE but closes below IPO price; Didi now 40% below its IPO price This week releases include US Markit and ISM July Manufacturing PMIs and Services PMIs. The labor front will be in focus as ADP will report on private sector employment and jobless claims for the week ended July 31. Friday sees release of the July nonfarm payroll report, key given the Fed's prioritization of bringing down the still elevated level of unemployment and as key industries have been hampered by severe labor shortage issues. Monetary policy decisions out of the U.K., Australia and India, along with Manufacturing and Services PMIs from Japan, the Eurozone and the U.K.

Stay safe.

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