



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

This morning Asia markets are +/- half a percent with India equities up as are Hong Kong whilst Japan and mainland China are trading down. Asia equity indices finished mixed yesterday following divergent Chinese manufacturing and services data and election results that boosted Japanese equities. Europe ended higher with Financials and Energy leading the way ahead of eco data releases and the monetary policy decisions. U.S. markets began November with small gains, a continuation of the October rally, supported by a strong Q3 earnings season and shrugging off increased expectations that monetary policies are set to begin down the tightening path. Small caps outperformed. The Fed will deliver its monetary policy decision on Wednesday, which will be accompanied by decisions from the U.K. on Thursday and will culminate with Friday's key nonfarm payroll report from the U.S. Treasuries are unchanged with the 10 year at 1.55% after last week's noticeable yield curve flattening, and the U.S. dollar also unchanged. The Reserve Bank of Australia has abandoned a bond-yield target and signalled it's open to raising interest rates earlier than previously signaled in light of quickening inflation. The bank cited the improving economy for its decision to scrap the 0.1% yield target on the April 2024 security. It kept its cash rate at a record low 0.1%, as expected. Brent oil prices higher at \$85/ barrel and spot gold is at \$1791.

UAE stocks up a percent yesterday supported by strong earnings and potential listings should add further to gains. The MSCI UAE Index +40% so far in 2021 should see further upside with a forward Price to Earnings of 14.7X, amongst the lowest relative to other markets. Also adding to trading volumes

are the new listings with increasing encouragement for private companies to go public. Dubai has set up a AED 1 bn fund to encourage tech companies to list.

European stocks are at record highs, extending gains in November following +5% in October as corporate earnings continue to support with banking, energy and automakers leading. A broad-based rally for the French CAC 40 Index yesterday and a new high with almost all stocks up. European stocks recovered last month after weakening in September, bolstered by earnings reports and strength in defensive sectors as well as financials, with bond yields moving higher. Earnings are coming in ahead of expectations and margin headwinds seem manageable. U.S. Q3 earnings in high gear this week, and of the 281 S&P 500 companies that have reported thus far, sales growth has been 18% higher and earnings up 39% y/y. The major takeaway is that demand has remained strong but supply chain and labor shortage issues have constrained revenues.

More than 100 global leaders will make a commitment today to halt deforestation by 2030, and 30 financial institutions to eliminate it from their portfolios by 2025. This is the first significant outcome of the COP26 summit in Glasgow. US and China, the world's biggest carbon emitters, have not come forward with any new progress on their climate policies. India the third largest emitter pledged to cut emissions to net zero by 2070, and get half its energy from renewable sources by the end of this decade, Vietnam said it would target net zero by 2050, while Brazil is aiming to cut emissions by 50% this decade.

Stay safe.

**MAURICE GRAVIER**  
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