



CIO OFFICE MORNING MARKET WRAP – Wednesday 3rd February 2021. ALSO AVAILABLE ON ALEXA.

Another positive day for global equities with a strong risk on rally. Whilst global COVID cases have crossed 103 million, vaccines administered are above the 100 million mark, bolstering optimism for an economic recovery and improving investor sentiment. U.S. equities finished higher with retail short squeezes gone, though this may be only be the start of a wave of populism affecting Wall Street. Treasuries were lower, boosting yields with some steepening of the yield curve, and the U.S. dollar added to a recent move higher, though the downtrend established in 2020 seems to remain intact. Crude oil prices gained ground to a 12 month high, and gold fell. Brent futures are trading at \$57.7 per barrel. Gold spot price is lower at \$1,835 per ounce and the 10 year treasury yield is at 1.10%. Volatility was lower with the Vix Index at 25.

UAE saw gains for both Dubai and Abu Dhabi boosted by real estate and banking stocks. Europe finished higher to add to day before gains, while markets in Asia rallied with India extending February gains to 7.5%. The Reserve Bank of India rate decision is due Friday. China, Hong Kong and Korea equities gained around 1.5% yesterday with healthcare and industrials moving higher. The S&P 500 Index was up 1.4% at 3,826, and the Nasdaq gained 1.6%. Optimism that COVID-19 vaccine rollouts are

gaining traction buoyed sentiment, as well as comments out of Capitol Hill that suggest talks of further fiscal relief have been constructive, and encouraging manufacturing data indicating a recovery is under progress. We expect emerging market out performance to continue (+7% year to date) and our overweight equities positioning is so far holding ground. Asia debt has rallied and remains our strongest conviction along with high yielding bonds, both beneficiaries of a global recovering economy.

Earnings season had United Parcel Service, Pfizer and Exxon Mobil posting mixed results. The FAANGs (+7% year to date) blockbuster results continue. Amazon posted record quarterly revenues of \$125.6 billion, up 40% from a year earlier. The quarter included the company's "Prime Day" sales event. CEO Jeff Bezos will step aside later this year to become executive chairman, replaced by Andy Jassy, who heads the cloud computing division, AWS, the most profitable part of Amazon's business. The massive shift to online advertising continues and lifted Google's revenues. A holiday shopping season with ecommerce fueled by the virus lockdowns, led to one of the strongest quarters in years, with revenue up 23%. Advertisers put even more of their budgets into digital media trying to reach consumers in the most effective way. Asian tech is yet to imitate the FAANG rally, and Alibaba results indicated strong growth but the stock is down this morning and 30% from its highs as tech regulatory concerns are more dominant than in the US and Europe.

Stay safe.

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