



## **CIO OFFICE MORNING MARKET WRAP – Thursday February 3, 2022. ALSO AVAILABLE ON ALEXA**

Wednesday was relatively quiet. Stocks rose 0.4% on average with an outperformance of developed markets. Interest rates were overall stable: the US 10-year Treasury yield closed at 1.78%, down one basis point. The price of Brent crude oil moved up +0.2% to \$89.3, despite the OPEC+ approval of another production increase of 400,000 barrels per day in March. While the nominal number is generous, the ability of members to actually deliver their share is questioned, based on January flows, apart for the Middle Eastern countries such as the UAE, Saudi Arabia, Iraq or Kuwait where spare capacity exists. Unabating tensions in Ukraine of course don't help.

The January consumer price index for the eurozone came out much stronger than expected, at a record +5.1% year on year increase. The median forecast was for +4.4%, and the interesting point is that the month-on-month change was actually positive while the consensus was expecting the opposite due to base effects. We do not think

this number should change the guidance of the ECB which meets today. With regards to corporate earnings, Q4 numbers from Facebook's parent Meta missed both earnings and user growth estimates. The share price slumped by more than -20% post market.

No surprise then that as we write, markets are mixed in Asia, with a -2% drop in Nasdaq futures in the background. Stocks are falling in Japan and Australia by -1%, but are up 2% in Korea which is reopening after the Lunar New Year Holiday. Hong-Kong and China remain closed for the same. Bonds are well oriented with Treasury yields lower 1 to 2 basis points across the curve. The 10-year is currently trading at 1.76%. Gold is steady at 1806 and oil is marginally lower.

Today will provide a lot of information, starting with the PMI numbers for the service sector, for Europe and the US. Both the BoE and the ECB will hold their monthly policy meeting. The ECB is expected to keep on finding all the possible reason to remain very accommodative. By contrast, the BoE should hike interest rates and guide for more to come. Finally, earnings will continue, with Amazon being of particular importance. So far, out of the 3 global internet giants, Alphabet/Google surprised on the upside and Meta/Facebook disappointed. Stay safe.

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