



**CIO OFFICE MORNING MARKET WRAP – Wednesday 3<sup>rd</sup> March 2021.  
ALSO AVAILABLE ON ALEXA.**

Asian markets are up this morning, with China and Hong Kong in the lead after falling around a percent yesterday, in line with global equities which were down half a percent. India and the GCC were exceptions, closing up almost a percent. US stocks seesawed and ended down with tech and consumer the worst performers. The Nasdaq Index fell 1.7% post a 3% rally on Monday. Some of the exponential gainers of 2020 had sharp falls yesterday i.e. Tesla, streaming tech provider Roku and Zoom.

The year began well for global equities which then sold off at the end of January, following a similar pattern in February, first rising and then giving up gains at the end of the month. The MSCI All Country World Index is however still up a healthy 3.4% year to date, with China leading returns, even after last week's sharp drop. Significant is the rotation from tech which was the undisputed leader the last 2 years, to the financial and energy sectors. We see more upside on financial stocks as the higher yield is positive for profits. On the positive news flow vaccine news and the US \$1.9tn stimulus package support a swift economic recovery, weighing against higher valuations, rising bond yields and inflation worries. To reiterate the rise in bond yields is not worrisome as the cause is global growth and not inflation.

A gradual rise in inflation in line with the Fed target of a little over 2% and a modest rise in longer bond yields is compatible with positive equity performance in the early stages of a rapid economic recovery. Companies will have more pricing power implying higher profits. Bond market weakness is also confirmation of the economic recovery.

The US 10 year treasury yield is not much changed with the yield at 1.41%. Gold is up +0.6% to \$ 1735. The USD was weaker vs the Euro and Pound, firmer vs the Yen. Brent futures are a little down at \$63 in anticipation of increase in supplies post the OPEC+ meeting. According to our inhouse oil strategist “The OPEC+ ministerial meeting on Thursday will be the fixation for oil markets this week and comes amid particularly strong market conditions however chatter about oil prices returning to USD 100/b., based on our current read of the market we think those calls are wrong and that a sustained hold of prices around USD 100/b is unlikely.”

The fall in US equities yesterday followed Asia 's after China's banking regulator voiced concern over high valuations in foreign markets. The chairman of the China Banking and Insurance Regulatory Commission, told local media that gains in US and European markets had been enabled by ultra-loose monetary policy, which he said had “seriously diverged” from the real economy. “China's market is now highly linked to foreign markets and foreign capital continues to flow in”.

On the UAE news front: Emaar Properties plans to take over its malls unit, at a value of \$6.5 billion. Emaar Properties, already own 85% of Emaar Malls, proposed to pay 0.51 shares for every one share in Emaar Malls, according to an official release. According to Bloomberg calculations, the offer values Emaar Malls' at AED 1.85 per share and a 10% premium to its last closing price.

European equities closed slightly up. The UK FTSE index rose 0.4% as material stocks continue to gain and the German Dax was up 0.2%. The yield on Germany's 10-year Bund edged up 0.01% to minus 0.35%, having fallen 0.07% points a day earlier. The European Central Bank bought €12bn of bonds under its pandemic emergency purchase programme last week, below the €18.1bn weekly average since the programme began in March last year.

Stay safe.

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