



CIO OFFICE MORNING MARKET WRAP – 3rd June, 2021. ALSO AVAILABLE ON ALEXA.

A positive day yesterday for both risk and safe haven assets as global equities eked out small gains, treasuries rose as did oil and gold. This morning Asian equities are trading up. European, Japan and US equities finished higher though US indices trailed European bourses, which hit fresh records as commodity and oil prices rallied. Emerging market equities ended yesterday very slightly negative. UAE and KSA equities continue their rally, the latter in line with the Energy sector with Brent futures at \$ 72/ barrel. Global equities have gained 11.5% this year and KSA/ UAE markets are at double/ triple these gains respectively. Uplifting news on the virus front with the UK on track to lift COVID restrictions on June 21st, India growth in cases declines. Almost 2 billion vaccine doses administered globally, with a global tipping point expected at 5 billion doses. About 75% of the global population are 15 years or older.

Markets remained in a tight range with economic optimism grappling with uncertainty about rising inflation pressures influencing extremely accommodative monetary policies sooner than expected. Central bankers maintain that inflation is transitory. While it's very early to say how inflation will play out raw material prices have pulled back from the highs of early May and supply chains for intermediate goods like semiconductors may be starting to improve. The Fed's June Beige Book noted that the economy expanded at a moderate pace between April and late May, though reports of shortages are more common. Employment increased at a steady pace however, many firms are struggling to fill low-wage positions and those for skilled

tradespeople. However, pricing pressures increased with selling prices rising modestly, while input prices "rose more briskly." Eurozone flash core inflation readings came in at 2% this week for the first time since 2018.

Investors are shifting between growth and value with semiconductor stocks gaining yesterday as did reopening stocks like American Airlines and Carnival. Tesla fell following a reported loss in EV market share. Some frothiness in the market as meme stocks favoured by retail investors saw large gains. An index run by Goldman Sachs that tracks the changes in the shares of companies most frequently mentioned on the r/WallStreetBets page on Reddit is up 60% over the past two weeks. Bitcoin has advanced this week after May's rout though well below its \$63,500 high earlier this year. Elon Musk's tweets retain popularity with a cryptocurrency now named after the viral "baby shark" song. Key events this week are ADP employment data out today and the US employment report for May on Friday.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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