



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

A rally for Dubai property stocks led to the Index gaining almost 4% yesterday with Emaar Properties and Emaar Malls up over 7% and the DFM stock almost limit up, as higher trading volumes presage higher income for the exchange. We have maintained our overweight positioning on the UAE for over a year now and this is reflected in the asset allocation weights assigned to regions. We still see further momentum and whilst the increased traffic on the roads is painful and getting a cab could necessitate a wait, it's proof of the success the UAE has had in handling COVID. Year to date, total returns for the Dubai Index are 24% and the Abu Dhabi Index 65%. DEWA is to be listed on the Dubai bourse along with 9 other government entities as per reports in the coming year, adding to already successful IPOs.

We held our monthly Asset allocation meeting yesterday and we stay constructive risk assets with no change in our overweight equity positioning with a preference for the developed markets and the U.S. and in the fixed income space we maintain a large global treasuries underweight and a bias towards emerging market bonds. We added to our gold position, as a hedge against the tail risk of stagflation scenario.

This morning Asia equities are trading a little down, following yesterday which saw small declines in Japan, mainland China and Hong Kong equities and gains for India. European equities were slightly up with France and Germany markets gaining and the U.K. closing down with energy and material sectors negative yesterday. Healthcare was the best performing sector globally yesterday with Pfizer results boosting the sector. Oil (Brent at \$83.5/ barrel) and gold \$1783 are trading lower. Ethereum is at record highs.

U.S. equities saw fresh highs yesterday, with the S&P 500 +0.4% and the Nasdaq +0.3%. Both indices have gained over 20% year to date. Q3 earnings are past the halfway point, for the 324 S&P 500 companies that have reported, sales growth is 19% and earnings 41% y/y. Treasury yields fell as the Fed begins its monetary policy meeting with the yield on the 2-year note down 7 basis points (bps) at 0.45%, the yield on the 10-year note -4 bps to 1.54%, and the 30-year bond rate -2 bps to 1.95%. The Treasury yield curve has flattened as of late, with rates on the short-end of the yield curve moving noticeably higher as the markets increase expectations of monetary policy tightening as the FOMC began its two-day meeting. It is expected the FOMC will begin to taper its monthly asset purchases by \$15 bn a month with a targeted ending date mid-2022. The language in the statement and the subsequent press conference from Chairman Powell will be scrutinized to get any indication of a liftoff date for rate hikes. Central banks, Canada and Australia, have already signaled that tightening could begin sooner than expected amid the persistent global supply chain issues and labor shortages that have boosted inflationary pressures and bond yields. The Fed's announcements today will be preceded by a read on October services sector activity and followed by Friday's October nonfarm payroll report. Earlier in the week, the ISM Manufacturing PMI was roughly in line with expectations, indicating brisk factory activity in October.

More announcements from countries, financial institutions and corporates at the COP26 on reducing carbon emissions bode well for the 1.5% target for climate change.

Stay safe.

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