



CIO OFFICE MORNING MARKET WRAP – Thursday 4th March 2021. ALSO AVAILABLE ON ALEXA.

After a strong performance from Asia markets yesterday, with China and Hong Kong equity indices up over 2%, this morning major markets in Asia are trading down following the US close yesterday. The Nasdaq Index fell 2.7%, and has lost almost 8% from its Feb. 12th peak. Technology stocks are falling as government-bond yields tick higher. The S&P 500 fell 1.3%. The yield on the 10-year U.S. Treasury note rose to 1.469% from 1.413% on Tuesday—though below last Thursday's high of 1.513%. Sovereign bonds also sold off across the eurozone, with the yield on Germany's benchmark note rising 6 bps to minus 0.29%.

Sectors that would benefit from an economic recovery continue to outperform i.e., banking and energy stocks. European markets ended close to flat yesterday and the UAE saw the Dubai Index up almost a percent while the Abu Dhabi Index closed slightly down. Brent crude oil, rose 2.2% to \$64.07 a barrel, ahead of today's OPEC+ meeting and with a record-setting US freeze. U.S. gasoline inventories fell last week, the most since 1990, dropping by 13.62 million barrels. Gold prices fell 1%. The USD was weaker vs the Pound, firmer vs the Euro and Yen.

As the stimulus plan in the US is close to being approved, worries increase that stimulus measures will lead to a spike in inflation and that the Fed will start to boost interest rates in the next two years. Also concerns are arising that the large fiscal spending will boost not only economic growth but also consumer prices. The five-year break-even rate — a measure of investors' medium-term inflation expectations — hit 2.5% on Wednesday for the first time since 2008. Fed officials have reiterated that the rise in yields reflects optimism about economic prospects and plan to keep monetary policy loose to support the economy for the foreseeable future. Fed Gov. Lael Brainard said Tuesday that the recent tumult in the bond market is on her radar. She said she would be concerned if she “saw disorderly conditions or persistent tightening.” The Fed's Beige Book revealed the U.S. economy continued to grow modestly at the start of the year, but some industries such as leisure and hospitality continued to be challenged by Covid-19 restrictions. Markit PMI Services for February was 59.8 (58.0 est.). Senate Democrats agreed Wednesday upon lower income levels for the phase out of individual payments that are part of the proposed \$1.9 trillion Covid-19 relief package, a concession to centrists whose support is needed to pass the bill.

Positive vaccine news, as President Biden announced that by the end of May, the U.S. will have enough doses to vaccinate every adult in the U.S. German officials agreed to gradually unwind restrictions, with the next step on Monday when book stores, flower shops and gardening centers can reopen. France hopes to a return of normality from mid-April though currently the virus cases are rising as is the case in Brazil.

Stay safe.

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