



## **CIO OFFICE MORNING MARKET WRAP – May 4th, 2021. ALSO AVAILABLE ON ALEXA.**

The main event influencing markets yesterday was a slew of manufacturing reports and global equities ended the day slightly higher and in sync with April's positive returns. Markets remain buoyant with signals that economic growth is picking up. Also an exceptionally strong earnings season so far—during which most European and US companies have beaten analyst expectations. U.S. equities have started May with the S&P 500 higher and the Nasdaq lower with optimism surrounding economic reopening and putting aside less than stellar domestic manufacturing data. Value-oriented stocks did better and Energy, Industrials and Materials led, while the Technology and Communication Services sectors were lower. Treasuries moved higher following the manufacturing data releases and on comments from Fed Chair Jerome Powell that the economic recovery is making real gains but is uneven.

The yield on the 2-year note was flat at 0.16%, while the yield on the 10-year note was down by 2 bps at 1.60% and the 30-year bond rate declined 1 bps to 2.29%. The U.S. dollar pared some of last week's gain, while gold rose and is trading at \$1789 this morning. Crude oil prices moved up with Brent futures currently at \$67.6/ barrel. Markets that were open in Asia finished lower as virus worries remained top of mind, while Europe closed higher amid positive economic data in the region. Germany's Xetra Dax and France's CAC are now up over 11% year to date. Markets in the U.K. were closed for a holiday. UAE equities had a positive close with a broad rally across real estate, banking and telecom. This morning Asia is trading

marginally down. Commodities continue to maintain their strong gains with silver joining the rally.

On the macro front: in the US an Institute for Supply Management survey showed US factory-sector activity continued to rise at a good pace in April even as the rate of growth slowed considerably from the previous month. April numbers decelerated, falling to 60.7 from March's 64.7 level. The index however remains above 50 with expansion for the eleventh month in a row. However, supply chain issues remain a concern as the ISM said, companies and suppliers continue to struggle to meet increasing rates of demand due to coronavirus impacts limiting availability of parts and materials. In the Eurozone the IHS Markit PMI index for manufacturing activity was at 62.9 for April, better than 62.5 in March, signalling that that economic strength is improving, with reports from Germany and France showing modest declines, while Italy and Spain saw improvements, but all remained in expansion territory. IHS market PMI data for Asia has PMIs expanding almost everywhere in April Malaysia, Indonesia, Taiwan and South Korea.

On the earnings front no more heady releases from the tech sector. Of note was Estee Lauder missing sales and gross margin forecasts. Q1 earnings in the US so far: 304 of the S&P 500 companies have reported and 71% have topped revenue expectations, while 88% have beaten earnings estimates. At this point, sales growth is on track to be up 11% y/y and earnings growth up 51% y/y. Similarly in Europe, where companies in the Stoxx 600 have reported profit growth of almost 75% with average earnings exceeding consensus expectation by 15%, the biggest "upside surprise" since the recovery from the global financial crisis more than a decade ago, according to Goldman Sachs. Due this week, Volkswagen and Siemens in Germany, PayPal and AIG in the US, and Nintendo in Japan. In focus are Berkshire Hathaway on news of a succession plan to Warren Buffett and Epic Games faces Apple in a trial on anticompetition practices.

Whilst US and Europe see lockdowns easing as the EU Commission recommended opening foreign travel to Europe and this follows news that vaccinated Americans could travel to the bloc this summer. Worsening Asian coronavirus trends as the Indian situation remains severe with daily cases above 400,000, deaths at record levels and vaccine shortages expected to persist for months despite vaccinations open to all adults. Japan reported record number of patients with severe illness. South Korea extended social distancing curbs for three weeks. Singapore, Cambodia and Thailand also grappling with surges and clusters.

Stay safe.

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