



CIO OFFICE MORNING MARKET WRAP – 4th August, 2021. ALSO AVAILABLE ON ALEXA.

Another up day for global equities yesterday, with the US and Europe up, but Asia largely down. Asian equities are up this morning with the Hang Seng Index leading, though yesterday China markets and Japan were lower. Indian equities making new records and continuing their upward trend. UAE and KSA markets also continue a strong uptrend and gained yesterday. Markets remain sensitive to China regulatory headlines, with Tencent rebounding today after tightening games controls for children, after reacting yesterday to negative commentary on online gaming. Year to date, the MSCI China is down 12% with underperformance relative to mainland domestic China benchmarks due to its greater weighing of tech stocks, which remain in regulatory scrutiny. Treasuries steady with the 10 year US Treasury yield at 1.18%. Oil, Brent crude closed at \$72.50 a barrel, slightly lower on fears that the spread of the Delta variant could lower demand and following a smaller-than-expected API crude inventory draw.

US equities were up on Tuesday as strong company earnings and economic data offset worries about the spread of the Delta coronavirus variant with the S&P 500 +0.8% and the tech-focused Nasdaq Composite +0.6%. New York City is to mandate vaccine certification for a range of indoor activities, including restaurants, gyms and clubs. Companies such as Walmart, Disney, Facebook, Google, Netflix and Morgan Stanley have also announced various levels of vaccine requirements. US Investor sentiment was boosted by June data for

US factory orders, which feed into GDP estimates. New orders for goods rose 1.5% m/m. Just under 70% of the S&P 500 has now reported. Earnings and revenue beat rates remain near record levels with a very strong demand backdrop. Revenue strength helping to keep operating leverage elevated though supply chain constraints and input price pressures dominate the broader earnings narrative and are expected to persist. Not a lot of movement on the bipartisan infrastructure bill as the Senate votes continue on more than 150 amendments. Passage through the chamber still expected later this week, with the bill seen having sufficient Republican support. But the market's focus remains on path forward for the \$3.5 trillion "soft infrastructure" bill Majority Leader Schumer hopes to pass this week on a party-line basis through the budget reconciliation process.

In Europe, strong earnings results took indices to a new record. The Stoxx 600 index rose 0.2% after BP, Société Générale and Standard Chartered reported profits that beat expectations. As expected, the energy sector has been aided by reopening's and the higher oil price, with BP announcing a \$1.4bn share buyback programme and an increase in dividend.

Cryptocurrencies have held up recently with Bitcoin trading around \$38,000 and Ethereum at \$ 2489. The latter the better performer this year. A US Bitcoin ETF approval looks possible as SEC Chair readies crypto rules and said that the SEC would act under its existing authority to regulate crypto assets that can be defined as securities under US law. He said platforms dealing in such securities "have to register unless they meet some exemption". We don't advise on cryptocurrencies.

On company news: Lyft posts its first ever adjusted profit and rose post market, Semiconductor stocks rose as Nvidia's merger with Arm in question by the UK authorities boosted shares of the other semi companies. Softbank builds a 5% stake in Roche indicating importance of healthcare big pharma. Pfizer and Moderna shares continue gains as leaders of mRNA vaccines with Moderna at YTD returns of 270%. Alibaba earnings disappoints with lower growth.

Stay safe.

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