



CIO OFFICE MORNING MARKET WRAP – Tuesday 5th January 2021. ALSO AVAILABLE ON ALEXA.

The first day of trade in 2021 for most global markets saw mixed performance from Developed Market equities with U.S. indices lower, though ending off session lows, Eurozone equities positive and the UK rallying. The markets had varying catalysts with Coronavirus trends worsening globally, concerns over valuations and the US Senate run-off election in Georgia today. Emerging market equities continued their December outperformance. Global coronavirus infections topped 85 million. Daily cases in the U.S. jumped to a record and an easier-to-spread variant could intensify the surge. Expect near term volatility in markets to continue but our medium-term outlook is positive as encouraging news around the vaccines has boosted hopes on an economic recovery by Q2/Q3. The outlook on the recovery is supported by EM and high yield bonds outperforming US treasuries the last few months and a rotation into cyclical assets.

Saudi Arabia will open its borders with Qatar more than three years after sanctions were imposed, signalling an easing in the rift. An accord is expected to be signed today, with Qatar's Emir likely to attend a GCC summit in Saudi Arabia. The Saudi Tadawul Index closed +0.64% at 8,667 yesterday (0.25%YTD). Traded Value remains high at \$1.96 billion. In the UAE the DFM General Index rose for the second day, climbing +2.9%, following the previous day rise of +0.6%. Bank stocks led the market higher. All Emaar stocks rose and the logistics sector saw gains from Aramex and Air Arabia. The ADSMI Index rose +0.7% following the previous session of +0.7%. Again banks led the gains.

Treasuries are mostly unchanged: the U.S. 10-year yield settled at 0.92%. The USD is firmer vs the Pound, weaker vs the Euro and Yen and trading at multi year lows. Gold rallied and finished up 2.7% at \$1942. Oil finished down 1.9% with Brent futures this morning at \$50.97. Oil was lower as OPEC+ talks were unexpectedly suspended on Monday after a majority of members, including Saudi Arabia, opposed Russia's proposal for a February supply hike. OPEC+ remains divided on whether to add an additional 500,000 barrels/ day in February after adding that much for January. Russia is in favour of higher output but Saudi Arabia along with a core group of OPEC members support holding output steady. Ministers from OPEC+ members will meet again today to try and conclude a deal.

A particularly strong performance of equities in the UK with the FTSE gaining 1.7% yesterday as commodity prices rallied sending stocks of those companies up. The material and energy sectors were the only 2 sectors to gain yesterday. The FTSE rally however is at odds with the rapid rise in coronavirus cases in the UK and the new severe lockdowns imposed. U.K. PM Boris Johnson ordered a national lockdown in England starting from Monday night until mid-February to prevent a surge in infections from overwhelming the National Health Service. The UK is full steam ahead on vaccine rollout as daily coronavirus cases have surged to almost 60,000.

In the US political uncertainty added to a sluggish vaccine rollout. The S&P 500 and Nasdaq both closed -1.5%. The Georgia Senate runoff can have a meaningful impact on future legislation with the possibility of greater U.S. fiscal stimulus, higher taxes and more regulation under a "blue wave." This overshadowed upbeat manufacturing reports. Markit PMI Manufacturing for December was 57.1 vs 56.5 est. and Construction Spending for November was 0.90% vs 1.0%.

Asian markets this morning are mixed with Hong Kong stocks slightly up as the New York Stock Exchange said it no longer plans to delist China's three biggest telecommunication companies. Japan equities are trading down following yesterday slightly negative close. Tokyo is also seeing rising virus cases. The Shanghai Composite is trading close to flat today after gaining close to 2% yesterday. Indian stocks are at record highs with the Sensex gaining 0.6% yesterday and getting closer to the 50,000 mark.

The UAE remains a global hub for trade. Dubai Airports and GMR Hyderabad have partnered to create a Covid-19 vaccine distribution corridor. Dubai Airports is home to 88 global airlines including local carrier Emirates, 12 international and 400 local and regional freight forwarders and has interlinked cargo facilities at DXB and DWC. The HYD-DXB vaccine corridor connects major vaccine manufacturers in India with markets around the world via Dubai's cargo hub, and will provide capacity to handle up to 300 tonnes of vaccines per day.

Market movers: EV stocks continued the 2020 spectacular rally as Tesla lived up to delivery expectations and the shift to 2021 is seen as a watershed year in the shift to EVs. Vaccine stocks were outperformers as Moderna and Novavax, amongst others gained as the focus on vaccine approval and distribution intensifies. Commodity stocks Glencore and Rio Tinto gained over 5% in line with a rally in copper and iron ore.

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