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A positive week for risk assets so far, with Asian markets mixed this morning, following gains yesterday, with upbeat services sector reports as well as a rebound in tech shares that have recently seen pressure amid China’s crackdown. More China regulatory crackdown headlines with Securities Times saying the gaming industry should be taxed like a traditional industry. The Caixin/Markit Services PMI for China was at 54.9 for July, driven by a notable pickup in new orders. Services activity in Japan also accelerated but remained in contraction territory with a reading below 50. UAE markets were mixed with the Dubai Index gaining and Abu Dhabi slightly down, as was the KSA Index.

European equities gained amid strong earnings reports and signs that economies are reopening, but the spread of the Delta variant of Covid-19 and a slowdown in the rate of vaccinations has led to restrictions being retained on social activity and travel. Many countries globally however, are now opening up travel to vaccinated passengers. The US considering plan to require all foreign visitors to be vaccinated The yield on the benchmark US 10-year Treasury note rose to 1.183%, gold is up at $1814 and Brent oil futures steady this morning at $72.5 a barrel.
U.S. equities finished lower yesterday but are up for the week, as a lackluster jobs report brought peak economic and earnings growth concerns to the forefront. A report from ADP showed that 330,000 jobs were added by the private sector in July, almost half the estimated number. Bottlenecks in hiring continue to hold back the labor market, according to ADP, ahead of Friday’s broader July nonfarm payroll report, expected to show headline employment grew by 875,000 jobs and private sector jobs by 718,000. The unemployment rate is forecasted to decline to 5.7% and average hourly earnings to rise 0.3% m/m and 3.9% y/y. Fed policy makers have said that the recovery of the labor market is a key factor in monetary policy decisions. Hawkish Fedspeak yesterday from Clarida, though Fed officials see rate lift off in 2023 and reiterated preference for near-term tapering. The services sector offered some economic optimism as the ISM Non-manufacturing Index posted its highest level on record and Markit’s Services PMI was revised modestly higher.

GM disappointed on results but both Ford and GM are guiding on a 50% shift to EVs by 2030. This is in line with European automakers Volkswagen and Daimler. BMW continues to cite chip shortage as an impediment.

The economic calendar today has manufacturing and construction data from Germany, industrial production numbers from the Eurozone, construction figures from the U.K., and the Bank of England’s interest rate announcement. Asian coronavirus situation continues to worsen. Japan reportedly set to expand quasi-emergency to eight more prefectures. China has shut down national transport routes as multiple cities lockdown in response to delta outbreaks.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD
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