



CIO OFFICE MORNING MARKET WRAP – May 6th, 2021. ALSO AVAILABLE ON ALEXA.

The year is progressing much as it began. A slightly up day for global equities taking year to date total returns to 9.6%. Value/ cyclicals continue to go up at the expense of growth and tech. Value at a 12 month high. The Nasdaq is now trailing the S&P 500 by 600 bps year to date. Flat day for the S&P 500 and another down day for the US technology sector, with the Dow making a new high as industrial stocks continue to rise on reopening capital expenditure plans. Pharma companies and vaccine makers fell as the US will support plans at the World Trade Organization for a temporary waiver of IP protection for the development of vaccines. In Europe, the Stoxx 600 closed up 1.8% with tech doing even better.

This morning in Asia China is trading down with Japan equities up almost 2%, after a 3-day holiday. China trade issues weighing on its market, with it suspending economic dialogue with Australia. India's Sensex gained yesterday as its Central Bank provided reassurance to support business, however the market continues to oscillate between gains and losses as virus cases remain a concern. UAE markets were flat yesterday.

US 10 year treasuries steady at 1.58% as fears of inflation receded on a weaker-than-expected jobs data and clarification from the US Treasury secretary Yellen on her remarks about the likelihood of higher interest rates as government spending ramps up. Fed officials reiterated that they don't see inflation getting out of control and a temporary situation. ADP data showed US private sector employers added 742,000 new jobs in April, but below the 800,000 forecast. UK gilts, which similarly to US Treasuries had yields rising on an anticipated run-up in inflation, weakened ahead of a Bank of England meeting today. The yield on the 10-year UK government bond rose 3 basis points to 0.82%, at the start of 2021 the yield was 0.175%. Oil has Brent futures almost unchanged at \$69.2, though US crude inventories fell by 8 million barrels. Lower oil demand from India a concern, with a large part of the country in lockdown. Spot gold at \$1789 and Volatility indicator the Vix Index at 19.2 below the long term average of 20, along with a steady Dollar.

Important earning releases today include Volkswagen, Rio Tinto, SocGen, Square, Moderna and ING. Yesterday saw Peloton shares fall 15% on treadmill recall issues while Uber earnings disappointed. Paypal gained on encouraging user and revenue forecasts. GM and T-Mobile shared positive guidance. With about 75% of S&P 500 companies having reported, earnings are projected to have grown 48% in the first quarter from a year earlier and revenue 11%, according to FactSet. The strong earning season in Europe and the US seems to have now been accounted for with equities in both markets up over 11% year to date and we expect markets will now move more on inflation news and central bank tapering possibilities. The virus remains a concern with new variants in play.

Stay safe.

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