



## CIO OFFICE MORNING MARKET WRAP – April 7th 2021. ALSO AVAILABLE ON ALEXA.

Major global equity indices were largely unchanged yesterday, except for European equities which gained 0.7%. UK equities were a standout. Europe's biggest gainers this year have been auto companies (EV leaders such as Volkswagen), travel and leisure companies and banks, up more than 20% this year. Asian markets are mixed this morning with China and Hong Kong indices trading down whilst Japan is slightly positive after the Nikkei lost a percent yesterday. UAE markets saw the Abu Dhabi Index up by a percent and the Dubai Index flat. Major U.S. stock indexes were very slightly lower Tuesday, a day after making new highs. Travel and leisure stocks gained. No major divergence between growth and value yesterday. Value and cyclical strategies lead year to date returns but growth stocks have bounded back in the past week, a pattern they are continuing into this week. The second quarter starts with optimism on government spending, the speedy roll out of vaccinations and the relaxation of restrictions leading to expectations of a quick rebound in economic growth. Logistics data, input cost prices such as the rally in copper and manufacturing data are indicative of business activity and hiring picking up. Global equities are up 7% year to date with the US S&P500 leading at 8.9%. Developed markets with their quicker vaccination rollout (the US and UK) are in the lead at 7.4% but Emerging markets have good gains too at 4.7%. Energy, financials and industrials lead global sector returns but Technology has recently recovered, up 5.6% year to date. The recent respite in bond yields has taken pressure off the growth sectors.

US 10-year Treasury yields ticked lower to 1.66%. Yields have moved lower since settling at 1.749% on March 31, their highest since January 2020. Gold is trading at \$1738 and Brent futures are at \$62.9/barrel. Risks remain around rising COVID cases with an uptick in the US to more than 79,000 new cases for Monday, continued lockdowns in Europe and record deaths due to COVID in Brazil. 678 million vaccine doses have been administered globally with Israel, the UK and UAE the highest in terms of percentage of population vaccinated.

The International Monetary Fund said the global economy will expand 6% this year, up from the 5.5% pace estimated in January, in its World Economic Outlook. This is the highest growth in four decades post a 3.3% contraction last year. The IMF warned about widening inequality and a divergence between advanced and lesser-developed economies. The IMF sees advanced economies less affected by the virus, with low-income countries and emerging markets suffering more, a contrast to the 2009 financial crisis. For advanced economies, the IMF estimates growth of 5.1%, with the US at 6.4%. The forecast for emerging and developing economies' growth is 6.7% for 2021, with India at 12.5%. For the Middle East and Central Asia region the IMF raised their outlook to growth of 3.7% from 3% previously. For Saudi Arabia, the fund projected growth of 2.9% this year and accelerating to 4% in 2022 while in the UAE they expect to see growth of 3.1% for 2021 before a slightly slower pace of 2.6% in 2022.

Indian equities are near record highs after strong net foreign inflows of more than \$37 billion in the 12 months to March 31. Expectations are that the RBI will hold rates and extend its accommodative stance when it meets today. India's manufacturing PMI held up well last month though new COVID cases in India hit a record high.

European countries backed the US proposal for a minimum global tax rate on corporations but made it clear this would need to be accompanied with a deal to enable them to tax an element of technology giants' global profits. The Biden administration proposes to raise the US headline corporate tax rate to 28% and wants a global minimum rate in effect of 21% which would be levied on profits made in any country with a lower rate. This would raise much more tax from US-headquartered multinationals and force tax havens and countries with low corporate tax rates, such as Ireland, to raise their rates to at least the minimum level.

Of market interest: The Archegos meltdown along with the Greensill Capital insolvency have taken its toll on Credit Suisse with estimates of losses in the billions. On the crypto market, the total market value of cryptocurrencies pushed past \$2 trillion. Bitcoin, the largest of the more than 6,600 crypto coins is worth more than \$1 trillion after its price more than doubled in 2021. The five next biggest coins -- Ether, Binance Coin, Polkadot, Tether and Cardano -- have a combined value of about \$422 billion.

Stay safe.

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