



CIO OFFICE MORNING MARKET WRAP – 7th July, 2021. ALSO AVAILABLE ON ALEXA.

Risk appetite was low on global markets yesterday. Global stocks fell 0.4% on average, while bonds were sought after. The 10-year Treasury yield lost a material 8 basis points to 1.35%, gold was steady around \$1800, and finally but importantly, the price of Brent crude oil reversed its recent gains, moving down 3.4% to \$74.5. The US White House confirmed that the US had high-level conversations with Saudi Arabia, the UAE and other members of the OPEC+ to help find an agreement to the current situation. The group still has some time to negotiate and one should not exclude that the initial plan of boosting production by 400,000 barrels a day every month from August could get ratified. Time will tell, and oil prices should be volatile in the coming weeks.

On the economic front, the important number was the US ISM Services, and it was clearly disappointing. After 64 in May and as the consensus was expecting 63.5, the leading indicator for June came out at 60.1. The absolute level remains firmly above the expansion line of 50 and high by historical standards. However, most of underlying components weakened, including the employment index. This points to a more material deceleration than expected in the so far stellar US growth. The immediate take-away from markets has been moderation on interest rates, also helped by lower oil prices, and a mixed reaction for stocks, between lower growth prospect and potentially higher multiples. The broad S&P 500 was only slightly down,

while rates-sensitive sectors were supported. The technology rich Nasdaq 100 ended the session slightly in the green and hit another record.

As we write this morning, Asian markets reflect this lower appetite for risk. Most regional stocks fall from Tokyo, reacting to a stronger Japanese Yen, to Hong-Kong, affected by China's scrutiny on the tech sector and by renewed concerns over the solvency of real estate giant Evergrande. China's onshore markets are slightly up by contrast. Interest rates, oil prices and future contracts on Western stocks are fluctuating near their closing level of yesterday.

The key event of today will be the release at 10PM Dubai time of the minutes of the Fed's June FOMC, which is the meeting during which the shift in forward-guidance was decided.

Stay safe.

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