



CIO OFFICE MORNING MARKET WRAP – 8th February, 2022. ALSO AVAILABLE ON ALEXA.

Global equities ended a little down with both emerging and developed markets in line. Intraday volatility continues and is likely to persist as markets adjust to tighter monetary policies and geopolitical tension between Russia and Ukraine, though many diplomatic talks are happening. Sovereign yields higher with the US 10 year Treasury at 1.93%, the US Dollar is higher, oil lower but both Brent and WTI trading above \$90/ barrel. Gold higher at \$1823. Financials and energy sector continue to do well while Tech and communication services are lagging. Bitcoin holds gains near \$44,000.

Asia markets this morning are down with both domestic China and Hong Kong markets falling 1.5% after a 2% gain from China equities yesterday which traded after an extended holiday and a flat Hong Kong market. India markets fell while the UAE markets had an up day. Both are positive year to date in comparison to global equities down 5% year to date. This week the Reserve Bank of India meets and expectations are for an increase in the reverse repo rate by 40 basis points to 3.75% and status quo on its main policy rate unchanged, not the start of a tightening cycle and not to derail growth.

US markets had the Dow gaining while the S&P 500 and Nasdaq ended the day down. On the macro front, US consumer borrowing cooled during December, but key reads on inflation and consumer sentiment are due later this week. Europe saw UK FTSE and the French CAC and

German DAX indices gaining while Italy and Spain saw some downside. On company news Meta Platforms continued to fall after its 26% decline post earnings on Thursday and Peloton shares rose as it may be in a takeover bid. Eurozone investor confidence for this month improved more than expected, though German industrial production unexpectedly declined. The euro was lower and the GBP was little changed versus the U.S. dollar. Both currencies rallied last week before the monetary policy decisions. We are neutral Developed market equities awaiting better entry points and a small overweight to Emerging market equities which are at lower valuations. With rates expected to rise highly valued markets and companies are more vulnerable to sell offs. The current strong earning season however is bringing valuations closer to trend levels for many economies.

4Q earnings are growing. In Europe, EPS growing over 50% for the 25% Stoxx 600 companies that have reported and 50% of Japan Topix have reported with EPS growing at 31%. US Q4 with over 50% S&P 500 companies reporting have earning growth at 27%. Dividends, buybacks and Capex are up sequentially and year on year but cash is slightly down. Corporate guidance talking of wage growth, labour shortage and supply chain constraints.

Stay safe.

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