



CIO OFFICE MORNING MARKET WRAP – April 8th 2021. ALSO AVAILABLE ON ALEXA.

Another flat day for global equities, however maintaining the record highs for many markets. Markets in Asia had a mixed session, Japan's Topix and India's Sensex gained, the latter on the Central Bank keeping rates unchanged, while China's Shanghai Composite and the Hang Seng fell. The reverse this morning with Japan equities trading down on further lockdown concerns whilst China and Hong Kong are trading up. Developed market equities closed slightly in the green yesterday while emerging market equities were down. European markets closed lower, however with significant outperformance from the UK. The outperformance appears to be driven by differences in vaccine distribution and reopening; EU is having issues with AstraZeneca while UK additionally has the Moderna vaccine. Policy remains supportive with ECB saying it may need to extend beyond quarter one 2022, if the EU continues to see COVID spread. Treasuries saw the U.S. 10yr yield settle higher at 1.67%. We continue to believe in our scenario that 10-year above 2% for an extended period is not sustainable unless full employment is achieved. WTI Brent futures are at \$63/bbl. Gold is at \$1739. The USD is weaker vs the Yen, firmer vs the Euro and Pound. We remain constructive on equities overall and in fixed income on EM debt and global high yield.

UAE markets were slightly down. The direction remains the same with higher dividend stocks in the lead. The KSA index continues its recent upward move. The completion of the merger between NCB and Samba has led to the creation of the Saudi National Bank (SNB) which will benefit from merger synergies.

With a lack of directional drivers, US equities were trading flat but after the Fed minutes were released, the S&P 500 rose, as investors received assurance of the Fed's plans to remain accommodative to support a full economic recovery despite recent economic tailwinds. It was also reaffirmed that the Fed believes any short-term inflation will prove to be transitory. The Fed minutes also repeated the observation the economy remains "far from" the Fed's employment and inflation objectives. Among the downside risks were the course of the virus, stress in the commercial real estate sector, and risks associated with the end of mortgage forbearance and eviction moratoriums. Upside risks—a stronger response to fiscal policy, a greater willingness of consumers to spend. Inflation has been the main worry as continued economic growth, coupled with government spending, could prompt the Fed to pull back on its support of the economy and markets earlier than expected. However, US equities are buoyed by estimates that retail customers have roughly \$2tn in excess savings and large corporations have a sizeable \$3tn cash cushion on their balance sheets.

JP Morgan CEO Jamie Dimon is reiterating an upbeat outlook on the US economy, with the US infra plan and rise in government spending boosting the economy and maintains that the country needs a globally competitive tax structure. Global corporate tax talks progress as the US Treasury laid out a plan to 135 countries that would apply to the global profits of multinationals including big US technology groups, irrespective of their physical presence in a given country. The aim is to catalyse negotiations at the OECD, with the promise of a more stable international tax system, remove digital taxes and stop tax avoidance and profit-shifting

Stay safe.

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