



## **CIO OFFICE MORNING MARKET WRAP – Wednesday February 9, 2022. ALSO AVAILABLE ON ALEXA**

Global markets continue to seesaw from losses one day to gains the next. Yesterday saw global equities gain half a percent and this morning Asia markets are up from domestic China to Hong Kong and Japan. China tech companies are trading up strongly. European equities closed flat yesterday whilst US equities were up almost a percent. In Asia yesterday, Indian equities fell while the UAE saw the Dubai Index up 0.8% and the Abu Dhabi Index up 0.5%. A strong listing from Abu Dhabi Ports is supportive of further capital issuance in the region. Globally bank stocks rose in synch with rising yields. Financials and energy are the only two sectors positive year to date. Gold is up this morning at \$1828 and oil largely unchanged with Brent holding above \$ 90/ barrel. Geopolitical tensions between Russia and Ukraine remain in focus as do rising virus cases in Hong Kong and Singapore. Global Covid cases have surpassed 400-million.

The yield on the 10-year US Treasury, rose to 1.97 % yesterday extending an ongoing upward trend, though this morning is lower at 1.94%. The yield this year has risen by 0.4%. The two-year Treasury yield, rose 5 bps to 1.34% but has ticked down one bps this morning. The 2 year is an indicator for rising rates and monetary tightening and expect this yield volatility to continue till the March Fed meeting and till inflation numbers stabilize. The US Dollar also strengthened. Germany's 10-year Bund yield, that until last month was below zero since May 2019, rose 4 bps to 0.26%. Christine Lagarde, President of the ECB has not been overly hawkish and said that any moves to tackle record inflation in the eurozone would be "gradual". Italy's 10-year bond yield rose as did the UK's 10-year gilt. The Fed is expected to begin hiking rates in March, the Bank of England has already hiked rates at its last two meetings, and the ECB has hinted it may increase rates later this year. On the contrary the People's Bank of China has moved towards looser monetary policy.

Important to monetary tightening direction is the US January inflation report due on Thursday with expectations that US consumer prices climbed 7.3% y/y, the highest in 40 years. U.S. equities remain supported by Q4 earnings while awaiting the January inflation picture. On the macro front small business optimism declined more than expected and dropped to its lowest level in 11 months, while the U.S. trade deficit further widened but less than expected.

On the earnings front Pfizer's revenues rose 105% with \$12.5 bn in revenue from its COVID-19 vaccine. Japanese carmakers Toyota, Honda and Mazda report earnings today along with AstraZeneca, Coca-Cola, Credit Suisse, PepsiCo, Twitter, Disney and Unilever. Peloton stock rallied 's 50% after a sweeping management shake-up — including the replacement of CEO John Foley — renewing speculation that the firm may be a takeover target.

We hold our annual CIO outlook event today and do listen in for more insights. Stay safe.

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