



CIO OFFICE MORNING MARKET WRAP – Tuesday June 9th, 2020. ALSO AVAILABLE ON ALEXA.

The US and Asian markets had a good day yesterday and this morning Asia is mixed with China and Hong Kong up and Japan a little negative. US Treasuries rebounded, with the US 10 year at 0.84% while the dollar is in its longest slide in almost a decade. Gold is trading at \$ 1695 this morning, in a range around \$ 1700 for the last 2 months. Oil is a little lower with Brent futures at \$ 41.2. The KSA said it wouldn't continue its additional, deeper output curbs after June. Oil majors are looking at saving costs and BP plans to shed 14% of its workforce which follows Chevrons move to reduce their staff by 15%.

The UAE and KSA markets saw above average trading volumes on Monday. The Dubai Index continued its upward move and strengthened 1.4%. Real estate stocks gained and banks held steady after their stupendous rally on Sunday. Foreigners own about 22% of the market and were net buyers. The Abu Dhabi Index dropped 0.8% and foreigners which own 35% were net sellers. The Saudi Tadawul Index gained 0.4% with Al Rajhi Bank the most traded. There seems to be renewed optimism on the economy as the banking sector performance has always been linked to underlying economic growth. EM bond funds continued to see net inflows with hard currency flows driving the net figure.

High yield issuance could increase significantly if risk sentiment continues to improve. Egypt's \$5 billion bond issue was the first time since February that a High Yield sovereign had issued in significant size. In the UAE Dubai Islamic Bank PJSC the second largest Islamic bank in the world is coming to the market with a fixed rate 5-year Sukuk offering. Worldwide infections from the coronavirus surpassed 7 million. Hot spots including Brazil and India are driving daily increases.

By contrast, New York State saw the outbreak receding, though some states continue to see an increase. New York reopening has been positive for US investor sentiment and airline, cruise companies and leisure stocks were up in the double digits yesterday. The S&P 500 has extended a rally from this year's lows to more than 44% and has erased 2020 losses. However like the energy sector which was also a gainer +4% yesterday the airline and leisure sectors are still deeply in the red for the year. Boeing was the major contributor to the Dow's gains yesterday.

Tech remains the favourite with the Nasdaq making a new record with Apple and Tesla at new highs. The top 5 companies by market cap are all tech and constitute 20% of the S&P 500. Technology firms are part of a narrow group expected to continue growing earnings in 2020. Recent economic reports besides the US job report and improving PMI data have been disappointing. The NBER said that economic activity in the US reached a peak in February ending a 128 month expansion that began in June 2009 which was the longest expansion on record.

The World Bank said that developing economies will shrink by 2.5%, this year, for the first time in 6 decades. European markets were marginally down yesterday with a historic 18% contraction in German industrial output weighing on sentiment. German autos a mainstay of the economy have seen sharp falls in production in April and May on account of the lockdowns. Yields on Bunds remain steady at their highest level in 2 months as a risk on mood prevails. Official Chinese data showed that exports shrank 3.3% in May in Dollar terms and imports fell on lower demand. Japans GDP fell -2.2% annualized in Q1. However investors continue to look optimistically through to H2.

Stay safe.

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