



CIO OFFICE MORNING MARKET WRAP – 9th September, 2021. ALSO AVAILABLE ON ALEXA.

Global markets are showing signs of consolidating after an exuberant year to date developed market equity performance. Supply chain warnings, stretched valuations, elevated sentiment and poor September seasonality in the mix. We held our tactical asset allocation meeting with no change in positioning: a constructive outlook with economic growth and fiscal and monetary policy still supportive and a continued overweight on more cyclical assets, however expectations for more muted gains and higher volatility going into Q4.

China equities have paused after a week-long recovery from oversold positions, weaker this morning with internet platforms weighing on the Hang Seng following latest regulatory developments. Yesterday, China equities finished little changed. Reuters reported Beijing summoned gaming firms to ensure they implement new rules for the sector and further crackdowns on the ride-hailing industry. Private tutors also reportedly banned from giving classes online or in unregistered venues. China inflation data mixed with factory-gate inflation rising more than expected but CPI growth unexpectedly falling. Japan's Nikkei trading down today, after gaining 0.8% yesterday and making 30 year highs, with investors welcoming a change in Japan leadership. The UAE was an exception to global market performance with gains on both the Dubai and Abu Dhabi indices and our economic team sees many green shoots in the UAE's economic recovery.

European equities were lower, with the markets awaiting today's monetary policy decision from the ECB, which comes as inflation pressures have ramped-up, while global economic uncertainty remains amid continued supply-chain issues and the impact of the Delta variant. Bond yields in the Eurozone dipped after recent gains. Data showed the French trade deficit widened and Italian retail sales declined more than expected. The U.K. to raise taxes to support the National Health Service. The euro and the British pound lower versus the U.S. dollar.

U.S. equities were marginally lower, adding to 2 days of slightly negative closes. The unemployment picture remains a source of uncertainty, as the Job Openings and Labor Turnover Survey (JOLTS) hit a record high, further widening the gap between labor demand and the unemployed. The Fed released its Beige Book on business activity ahead of its September 22 monetary policy decision stating economic growth tempered to a moderate pace, in large part due to the rise in the Delta variant, as well as shortages of materials and labor. Despite a falloff in dining out, travel and tourism, most districts reported an uptick in overall employment but also steady inflation at an elevated pace. As deadlines approach on a \$3.5 trillion spending package, Democrats yet to resolve differences on health care, taxes and education. Treasuries gained ground, the 10 year yield at 1.33%, while gold continued its descent \$1788 and oil traded higher, Brent futures at \$72.8 with a slow return of U.S. production after Hurricane Ida.

In coronavirus developments, Singapore, South Korea and Taiwan daily infections remain elevated but no plans to increase restrictions and Japan to extend state of emergency but plans to ease restrictions in November as vaccinations increase. The U.S. seven day average rose again. India says supply chain showing huge improvement as pandemic conditions improve.

On company news, Bill Gates family office increases control of the Four Seasons luxury hotel group in a \$2.2bn deal and Tesla deliveries surprise to the upside. Meme stocks fall following disappointing earnings from GameStop. Walmart breaks record with \$2bn green bond debut sale. Coinbase says the SEC is investigating its crypto lending program. Elizabeth Holmes' Theranos, the blood testing start up court case continues.

Stay safe.

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