



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

Daily returns yesterday were a bit quieter than earlier this week. Global stocks rose +0.3% on average in developed markets and +0.5% in emerging regions. Interest rates kept on rising, with the 10-year Treasury yield adding 5 basis points to 1.52%. The 5 and 30-yr maturities added respectively 2 and 9 basis points to 1.27% and 1.89%. Bear steepening, in fixed income jargon. Energy continued to be sought after: the price of Brent crude oil gained +0.5% to \$75.8, while gold seems to be immovably anchored around \$1780. Cryptocurrencies still struggle to confirm their post-crash rebound, with bitcoin stuck just below \$50,000. For the reference, the S&P500 is now back to its pre-Omicron level after just 8 trading days. So far, refraining from emotional reaction seemed to be right.

All eyes are currently on the virus. Pfizer said that according to their initial studies, a third dose of their vaccine should be able to neutralize the new variant. This will have to be confirmed with more data which should be available by the end of this year. In the meantime, it's good for both the morale and Pfizer's business. There are interesting news from China. The PBOC set its reference fixing rate for the yuan lower than the consensus expected, just below 6.35 per dollar. The Chinese currency had appreciated in the recent days following the announcements of more economic stimulus and the central bank likes stability. The country also just released its inflation numbers for November.

With regards to consumer prices, the year-on-year progression is contained at +2.3%, lower than last month and below the median forecast. By contrast, producer prices gained +12.9% year-on-year, which is above forecast but a slight monthly deceleration after October's +13.5%. Such an increase in prices at the gates of the worlds' factories support the idea that global inflation is not about to collapse anytime soon. Markets will focus on the US CPI released tomorrow, and then of course on next week's FOMC meeting which may provide clues on the exact implementation of a faster tapering.

As we write, most Asian stocks are climbing this morning, led by China's onshore CSI300 gaining +1.7%, followed by Hong-Kong at +1.3% while Japan is down -0.15%, reflecting a slightly stronger yen. Korea is up +0.5% and India should also open slightly in the green. Interest rates are stable, future contracts on Western stock indices are holding yesterday's gains, but oil keeps on rising, to \$76.5 for the Brent future at the time of writing, up +1%.

Bottom-line, the beginning of the week has been about adjusting to a probably milder than feared Omicron variant, and market participants are now waiting for tomorrow's US CPI and next week's Fed meeting, before probably making a pause for the end of the year. Talking about pause, our daily investment notes will continue next week but make a break the following two, to resume in 2022.

Stay safe.

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