



CIO OFFICE MORNING MARKET WRAP – Thursday March 10, 2022. ALSO AVAILABLE ON ALEXA

Global equities rebounded yesterday from levels which were in bear territory for some indices including the German Dax. This morning Asia equities are up, they were the only aberration yesterday along with the UAE and KSA, which closed the day down. GCC markets remain the best performing globally this year. Yesterday was a reversal of the last 2 weeks market movements with the U.S., Europe and all sectors except energy trading higher. Global equities gained 2.6%, as did the S&P 500 and Germany's DAX was up +7.9% as investors see value in these markets at these levels. Sentiment was also lifted after a top foreign policy aide to Ukrainian President Zelenskiy said the country is open to discussing Russia's demand of neutrality as long as it's given security guarantees.

Oil fell more than 10% with Brent futures this morning at \$111/barrel and Treasuries dropped with the 10 year yield rising to 1.93%. Oil fell on reports that the U.A.E. and Iraq have indicated that OPEC may consider raising output. Gold dropped below \$2000 from a 19-month high on improved risk sentiment, though still up 8% this year. Gold was in demand as a hedge against inflation. In cryptocurrencies, Bitcoin traded above \$42,000 (though reversed the move overnight) with an impending U.S. overhaul of crypto oversight that Treasury Secretary Janet Yellen called “historic” and President Biden signed an executive order for consideration of creation of a US digital currency.

Yesterday’s rally has only partially reversed the extreme market movements since Russia invaded Ukraine. Global equities and the S&P 500 are still 10% below and Brent 45% above where they started the year and commodities from nickel to wheat remain near record highs. For the first time this year DM equities are outperforming EM though still in synch. Though we began the year neutral for DM equities which were at high valuations post a 3 year rally, the recent sell off provided buying opportunities. Sifting through the inflationary impact of the Russia Ukraine war with consequences on already constrained supply chains and tightening monetary policy in the U.S. we had remained constructive on risk assets watching levels at which to add. We had reduced our underweight in DM government bonds when the 10 Year Treasury yield was at a level of 2% and added to DM equities when the S&P 500 traded below 4300 which indicated a forward Price earning of 18.5X. Whilst credit to equities are trading higher and commodities lower it doesn’t mean volatility is over. Energy and many essential metal supplies are still in flux. The LME has still suspended trading of some nickel contracts after the last few days wild rise. The duration and outcome of the war is still uncertain. The level of sanctions has Russia becoming the world's most sanctioned country, with more sanctions under consideration.

The ECB meets today and hopes for stimulus measures are also boosting European markets whilst caution on the economic outlook, may be highlighted as an effect of the war. Similarly bets on a Fed rate hike have been scaled back over the past few weeks, with a quarter point now widely expected. U.S. inflation data is also due today with a higher number estimated than January’s 7.5%. On the corporate front, Amazon announces a 20 for 1 stock split and after hours shares rose 8%. Stay safe.

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