



CIO OFFICE MORNING MARKET WRAP – May 10th, 2021. ALSO AVAILABLE ON ALEXA.

All asset classes delivered modest but positive returns last week. It ended on Friday with a shockingly disappointing US monthly job report, which was perceived by market participants as an insurance for prolonged policy stimulus.

The new week has a good start too. Our UAE markets had a great session yesterday, adding 0.8% in Dubai and 1% in Abu Dhabi, led by banks and real estate companies. The GCC is leading the regional hierarchy within emerging markets so far this year. It may continue to do so: oil prices are sharply up this morning after a cyberattack led to a shutdown of the largest oil-products pipeline in the US. Future contracts on Brent crude oil are trading at \$68.5 as we write. The US operator Colonial Pipeline did not provide a timeline for a restart. As a result, traders are sourcing replacement solutions, cargoes and tankers, from Europe, Asia and of course the Gulf.

As we write this morning, most stock markets are in the green in Asia. Japan and Korea lead with a 1% appreciation, followed by India at half a percentage point, and China, close to unchanged. The materials sector lead the gains: copper is at an all-time high, and iron ore futures are sought after in Singapore as strong demand materializes from China in particular. This explains why Australian stocks, rich in commodities, are heading for an all-time high as well. The dollar is firmer, after having tumbled on Friday. Interest rates are adding 1 to 2 basis

points across maturities, with the US 10-year treasury yield approaching 1.60%. Gold is steady at \$1832, and future contracts on Western stock markets are well oriented.

This looks like a perfect scenario, with economic data showing enough growth to propel earnings, but not enough job creations to change the course of current monetary support. Alas, it is an unstable equilibrium: we keep on believing that massive job creations and inflation pressures are on their way, which will trigger more volatility. This will be temporary and won't actually change the stance of central banks either: our view remains constructive on risk assets, of course. We are overweight stocks, underweight bonds, but also ready to seize opportunities generated by the turbulences we expect.

Elsewhere in the global news, New Delhi extends its lockdown, but England is on track to ease restrictions from May 17th with two thirds of UK adults having received at least a first dose of vaccine. Iran has expressed that removing sanctions on their banking system would be part of any nuclear deal. Finally, results in elections in Scotland may open the possibility of a new independence referendum.

Focus will shift to inflation numbers this week, with consumer price indices being released for the US on Tuesday and for China the following day. US retail sales should give comfort on the growth picture on Friday. Please note that our daily investment notes will not be sent during the imminent Eid Al Fitr holiday in the UAE. Eid Mubarak to you all.

Stay safe.

MAURICE GRAVIER
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