



CIO OFFICE MORNING MARKET WRAP – Wednesday June 10th, 2020. ALSO AVAILABLE ON ALEXA.

Global equities closed down by half a percent yesterday, after almost uninterrupted gains for the last 10 trading sessions. In early trading in Asia this morning, Japan's Topix is flat while Hong Kong is slightly positive. Asian stocks were up yesterday. Oil is holding steady with Brent futures this morning at \$40.54 a barrel. Treasuries are firmer, the U.S. 10yr yield has fallen to 0.83%, ahead of the Fed meeting today. The USD is weaker versus the Euro, Yen and Pound. The dollar has fallen for a ninth straight day, set for its longest slide since 2006. Gold is at \$ 1716 up 1%.

US indices finished lower while the Nasdaq traded briefly above the 10,000 level for the first time. The recent tilt towards value reversed, bringing growth back with strength in the mega-cap tech space returning. Apple made another high on news it's preparing to shift to its own main processors in Mac computers. Vroom the online used car seller had shares double on listing. Energy was the weakest sector despite a positive session for crude. Some profit taking in the US after the 46% rally from the March lows is logical.

The rally had many legs as the Fed took extraordinary steps to reassure investors, unemployment peaked in April, consumer behaviour is returning to normal quicker than expected, earnings estimates are no longer being revised down, credit spreads are not recessionary anymore. Further support came with the cyclical rotation and bond yields increasing. The sustainability of the economic recovery depends on fiscal support measures continuing meaningfully post-July or if a second wave of the virus stalls the economy again.

But the world is more prepared as economies re-open. European markets were down yesterday affected by German exports falling in April, the worst in 70 years. Also leading the market down was the Stoxx travel and leisure Index as airlines IAG and Easyjet remain under pressure. Banks in Europe have been asked to delay dividend payments till next year halting the recent European bank rally. Business conditions in Dubai's non-oil private sector deteriorated for the third consecutive month in May, although the rate of decline was less severe than in March and April.

The May PMI Index rose to 46.0 from 41.7 in April. Output and new work declined at a slower rate last month as lockdown measures were partially lifted. UAE equity markets gave up some of their recent gains yesterday. Emaar's recent rally has been driven by investors hopeful of an interim dividend being reinstated as proposed on the AGM agenda as no dividend was paid for 2019. DP world which is delisting will have its last day of trading on June 17th. In an effort to synergise operations Meraas Holding LCC, the promoter of leisure facilities in Dubai and a major property developer will be brought under Dubai Holding LLC.

Recent debt issuance in the region includes First Abu Dhabi Bank PJSC which raised HK\$750 million from the sale of a five year green bond, the first by a Middle East issuer denominated in Hong Kong dollars sold through a private placement. Dubai Islamic Banks 5-Year Sukuk launched yesterday and has seen good demand. Retail investors in the US are heavily trading shares of bankrupt companies such as Hertz, JC Penney and in the energy sector. Whiting Petroleum was 1000% above its low in April when it filed for bankruptcy. Chesapeake Energy a leader in the shale industry has had many trading halts with wild swings in share price and is preparing a potential bankruptcy filing. Chesapeake, has debt of \$9 billion and equity of just \$300 million. The trading on stocks of companies heading for bankruptcy is pure speculation and could end in the investor getting back nothing.

Stay safe.

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