CIO OFFICE MORNING MARKET WRAP – 10th June, 2021.
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Financial markets keep on struggling to find a clear direction, waiting for the key economic number of the week: today’s US consumer price index. The inflation gauge is important to the extent that it could potentially change the perception on the trajectory of the Federal Reserve policy. It will be released at 4.30PM Dubai time, and is expected to show a +0.5% month-on-month progression in May after the +0.8% of April. If the consensus is right, the year-on-year progression will be an impressive +4.7% for the headline numbers, which of course includes a boost from the base effect from the depressed levels of a year ago.

During this year, vaccines have been rolled-out, massive policy support has been deployed, and markets have rallied with a more than 30% appreciation in stocks. The control over the virus has made tremendous progress globally, but the battle is not over yet, especially for emerging markets, with India struggling and cases in South Africa surging, for example. As the WHO says, no one is safe until everyone is safe. This is why the G-7 keeps on pushing on vaccinations, with the latest news being the US pledge to donate half a billion doses to the Covax program. According to a draft statement, the G-7 aims at ending the pandemic by December 2022 with enough
doses to cover 80% of the world’s adult population. Closer to us, the capital of the UAE is taking measures to limit the virus circulation, with a more active use of the digital pass embedded in the AlHosn app from next week in Abu Dhabi. Elsewhere in the news, international relations seem to be taking a smoother direction under the Biden administration, in the G-7 and beyond. The Chinese and US commerce ministers had their first call today and agreed to “promote the healthy development of pragmatic cooperation in trade and investment”. At the same time, the US ban on TikTok and WeChat has been revoked by the US President.

Global stocks fell by a modest 0.1% yesterday on average, but there was more action on interest rates: the US 10-year Treasury yield lost 4 basis points to close at 1.49% after the success of a $38 billion auction. The trend continues this morning in Asia, where bonds are sought after. Asia stocks are on the rise with China onshore gaining 1%, helped by the talks with the US, followed by more modest gains in Tokyo, Hong-Kong, Seoul and Sydney.

Apart from the US inflation number, the ECB will hold its monthly meeting and press conference, but we don’t expect much breaking news from there. The G-7 summit continues, with so far only positives, from pacified geopolitics to common initiatives on the virus and on the climate. We implemented yesterday at the market close the rebalancing of our tactical asset allocation announced in the morning.

Stay safe.

MAURICE GRAVIER
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