



CIO OFFICE MORNING MARKET WRAP – April 11th 2021. ALSO AVAILABLE ON ALEXA.

One headline last week illustrates the current situation: the usually pessimistic IMF revised up its world economic outlook for the third time, now expecting global GDP to increase by a robust 6% in 2021. Their latest upgrade was not that old, in January, but the revision is material, especially for the US, up another 1.3% to 6.4% year-on-year.

The IMF is not particularly known to be a major market mover, but nevertheless, all economic indicators are converging to signal a surge in global GDP for the rest of the year, with the US being the clear leader for the second quarter. Indeed, divergences are becoming more apparent. Brazil, India and the Euro area are still struggling with the second wave of the virus, and lagging the countries where vaccination programs have been more effective. The performance hierarchy is already differentiating on this criteria: the US and the UK outperform other developed markets, and the GCC is the best performer of 2021 so far within emerging regions, with a +15% gain year-to-date. Looking at the largest emerging country, the MSCI China is more or less unchanged this year so far. It is not that much about the virus, but about the sequence of growth: the economic rebound started there a year ago, much earlier than anywhere else. Looking forward, growth should downshift in the coming quarters as some fiscal and credit policy support measures are already being removed. By contrast, the US is still in the early days of its massive stimulus. Time will tell which policy is the best for the long-run, and we remain confident in the secular drivers of growth for emerging Asia.

Of course, a booming growth means rising inflation, and last week's PPI number was already slightly higher than the median forecast. Market participants didn't care that much and preferred to enjoy the minutes of the FOMC meeting which confirmed a dovish stance. The consensus within the central bank was clear on two points. First, inflation shouldn't be a major concern for the institution in 2021. And second, the rise in interest rates reflects the improvement in the US economy but is closely watched, as disorderly moves could threaten the recovery. Bottom-line, the support is here to stay and the Fed is watching the bond market.

Against such a backdrop, last week was positive for all major asset classes. US stocks printed a new record high, up 2.7%, lifting developed equities to +8.6% year-to-date. Global REITS, emerging market stocks and high yielding bonds followed with around +1% weekly. Defensive assets were also supported by the Fed minutes, with safe bonds and gold gaining half a percentage point on average over the week. Our three asset allocation profiles show positive returns year to date as well.

In the UAE, after the material improvement shown by PMI numbers last week, Non-Oil foreign trade numbers were released for 2020, reaching 1.18 trillion dirhams for the year. They show an impressive resilience due to a revitalized growth in the second part of the year. The country also named a second vice chairman to the Central Bank's board, following the appointment of H.E. Khaled Mohammed Al Tameemi as Governor last week, as H.E. Abdulhamid Saeed Alahmadi is retiring.

There were also significant company specific news for global large caps. In Europe, Credit Suisse remains in damage control mode after their stunning losses with one single counterpart Archegos. A new chairman will join in three weeks, and will have to rehabilitate the reputation of the bank: credit standards in the investment bank as well as the fate of their asset management unit will certainly be high on the agenda. In China, the antitrust watchdog has fined Alibaba with a record \$2.8bn fine after completing a monopoly probe. The company accepts the sanction and commits to improve their practices, and it could even be seen by market participants as the removal of a major uncertainty. It however illustrates the trend for more scrutiny from China over its technology giants. Finally in the US, more than 400 undelivered 737 Max jets from Boeing will have to be inspected for electrical flaws, another difficult episode for the company which already burnt \$20bn in cash last year in the pandemic context.

Companies should keep on making headlines this week, hopefully on a more positive tone, as the Q1 earnings season will start with US financials. The week ahead will also reveal China Q1 GDP and retail sales, as well as CPI and consumer confidence in the US, among other things.

Stay safe.

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