



CIO OFFICE MORNING MARKET WRAP – 12th April, 2022.

Monday was a tough start to the week for financial markets, with concerns about inflation and central bank tightening weighing on all asset classes. Interest rates kept on rising: the US 10-year Treasury yield added +8 basis points to close at 2.78%, while, by contrast, the 2-year was stable and the 5-year gained less than +3 basis points to 2.79%. Global stocks suffered, down -1.3% across developed and emerging markets, with growth stocks underperforming. Oil prices were also down, with the barrel of Brent crude closing with two digits only at \$98.5. There was no breaking news but another confirmation of the strong hawkish narrative. Fed official Waller said that the “brute force tool” of rate hikes could create collateral damage on the US economy, taking the analogy of an economic “hammer”. Charles Evans, another Fed official known to support accommodative policies, also backed an accelerated pace of rate hikes to combat inflation. With regards to the war, there is no de-escalation in sight at least rhetorically: the EU called for more military support to Ukraine and expressed pessimism on the duration and intensity of the conflict, echoing the Pentagon in their recent sinister forecast.

Asian markets are not well oriented as we write this morning. Interest rates are edging higher, with the 10-year now slightly surpassing the 2.8% mark. Stocks are down everywhere between -0.3% for Chinese domestic markets and -1.3% for the Nikkei. Equities are down -1% in Korea and -0.8% in Hong-Kong, with a rebound in gaming stocks after Beijing approved the first batch of new licenses. The price of Brent crude oil is rebounding, back just above the \$100

mark with a +2% gain. Major cryptocurrencies are also down, with bitcoin trading below \$40,000 and ether below \$3,000.

The focus today will be on March consumer price indices, starting with Germany and France but of course culminating with the US number at 4.30PM Dubai time. The median forecast is for a +8.4% year-on-year increase for the headline number after +7.9% for the 12-month period ending in February. We will also have communications from several Fed officials including Vice-Chair Lael Brainard. Finally, we will have a look at Germany April ZEW survey to gauge business sentiment. The Q1 earnings season will kick-off later this week with US major banks.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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