



## **CIO OFFICE MORNING MARKET WRAP – Wednesday 13th January 2021. ALSO AVAILABLE ON ALEXA.**

Financial markets are looking for a direction, hesitating between strong short-term headwinds and brighter medium term prospects. Tuesday's session was overall positive. Global stocks added 0.4% on average in developed markets, and close to 1% in EM. Our local markets were part of it, confirming a strong start of the year. Oil was sought after: the price of Brent crude oil moved up 1.7% to \$56.6. Interest rates stopped climbing, with the US 10-year Treasury yield decreasing 2 basis points to 1.13%, and so did the US dollar, down 0.2% against trade-weighted counterparts yesterday.

In the news, President Trump delivered a speech in which he refused to take responsibility for the riots on the Capitol. Vice President Pence dismissed the request from Democrats to use his constitutional powers to remove the president. As a result, an impeachment vote is likely to take place today. What is at stake is not just the last days of the current administration and the satisfaction of the Democrats' killer instincts: a formal impeachment would prevent Mr Trump from running for President in 2024, and a number of Republican politicians would like their party to take some distance with the atypical leader. Staying in the US, several Fed officials spoke and

unanimously indicated that the asset purchases should not be cut this year, reacting to the rise in interest rates and the steepening of the yield curve which implicitly indicates anticipation for such a tapering. On the virus front, numbers keep on rising globally and hospital capacities are not far from being saturated in the UK. New restrictions are being mulled everywhere in Europe. The daily new cases crossed 3000 for the first time yesterday in the UAE and the US will require a negative test for all visitors from the end of January. Vaccination programs continue, and Pfizer is investigating the death of a health care worker 16 days after getting the vaccine.

As we write this morning, Asian markets are well oriented, helped by the US Dollar extending its decline, in synchronization with some moderate retreat from interest rates: the 10-year Treasury yield is at 1.10%. Emerging market currencies are firmer. Oil prices confirm their winning streak with futures adding 1%. Asian stocks are flat to moderately up, led by Japan with no particular news. The day is also quiet in terms of economic data, but we'll have a look at industrial production in the Euro area.

Finally, we have held our monthly tactical asset allocation committee yesterday. Our recommended positioning will go closer to our reshuffled strategic asset allocation, with more Emerging Markets across asset classes. We are neutral on cash, underweight in fixed income with a preference for the coupon generating segments, overweight stocks and underweight in alternatives, precisely on hedge funds. This is of course consistent with our scenario of recovery for 2021.

Stay safe.

**MAURICE GRAVIER**  
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