



CIO OFFICE MORNING MARKET WRAP – 13th October, 2021. ALSO AVAILABLE ON ALEXA.

Global financial markets didn't take a clear direction on Tuesday. Stocks were marginally down across developed and emerging regions with the US session ending flat. The yield curve flattened a bit with the US 10-year losing 3 basis points to 1.58% while the 5-year gained 1 basis point to 1.07%. The rise in oil prices had a pause with the Brent closing unchanged at \$83.4. The trade-weighted US dollar gained 0.1%.

Monthly trade numbers for China were just released this morning, and they are interesting. Exports grew by a spectacular +20% year on year, i.e. compared to September 2020, which is well above both the median forecast of +13% and the August number of +15.7% year on year. This unambiguously confirms that the global economy has regained momentum last month with more international demand for Chinese products. By contrast, Chinese imports grew by only 10% year on year, missing the median forecast and signalling a significant deceleration compared to August's spectacular +23% number. With this weakness in domestic demand, China is clearly not in the driver's seat of global growth this year. Having said that, and forgetting expectations and monthly comparison, the absolute levels remain very elevated especially for such a gigantic economy.

The other key headline of the last hours is about Apple. The company will probably cut its iPhone 13 production targets for 2021 by 10 million unit due to their chip suppliers struggling to deliver enough components. The number is not insignificant as the initial projection was for 90 million units this year, and as Apple is one of the world's largest chip buyers: no one is immune to the current supply shocks. This is a perfect transition to the inflation outlook: while most of pressure is still expected to be transitory,

the transition may last much longer than initially expected. Such were the convergent messages delivered yesterday by Fed official Bostic as well as by US Treasury Secretary Yellen. The IMF just updated their World Economic Outlook last night – a surprising frequency as the institution usually publishes only twice a year, which confirms that current times are extraordinary and predictions difficult. The key message from this third update of 2021 is that the momentum of global growth has weakened with increased uncertainty, driven by the virus, inflation and choices to be made in the policy space. We thank the IMF's army of economists for this insightful assessment. We will point out from the report that their global growth expectation for 2021 is lowered by -0.1% to +5.9% compared to their July update, while their forecast for 2022 is unchanged at +4.9% with a slight change in the regional contributions: more from developed countries and less from emerging ones. US growth prospects have been reduced from 7% to 6% this year but upgraded from 4.9% to 5.2% in 2022. China's expected growth is lower by -0.1% for both 2021 and 2022, now at respectively 8% this year and 5.6% next year. As a result India should be the growth leader in 2022 among large countries with +8.5%.

Staying in Asia, markets are mixed this morning as we write. Hong Kong is closed due to the current storm affecting the city. Stocks gain 1% in Korea amid a strong jobs report, and unaffected by Apple's likely cut in production. Shares are slightly down in Japan and slightly up in Chinese domestic markets after the trade numbers, and after Standard Chartered CEO said he's confident in the fact that Beijing will not let the Evergrande crisis turn systemic. Interest rates are stable with the 10-year currently at 1.57% and crypto assets are overall well oriented.

Today we will pay attention to the important US Consumer Price Index at 4.30 Dubai time. The consensus of economists expects a +5.3% year on year increase – if we had to bet we would say actual number could be higher. The quarterly earnings season also really kicks off today with numbers from JP Morgan and Blackrock in particular.

Stay safe.

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