



## **CIO OFFICE MORNING MARKET WRAP – Thursday 14th January 2021. ALSO AVAILABLE ON ALEXA.**

Wednesday was relatively quiet on financial markets. Global stocks were little changed in developed regions and slightly down in their emerging peers. Our local stock markets were an exception, up 0.7% on average and confirming their strong start year to date. The Dubai DFM is up more than 9% so far in 2021. Interest rates continues to gently slip lower, with the 10-year Treasury yield shedding 5 basis points to close at 1.08%. The price of Brent crude oil had some consolidation, down -1.1% just below \$56. The US dollar was slightly weaker against major counterparts, and Gold traded around \$1840.

In the news today: US politics, the virus, and China.

In Washington, the House of Representatives impeached President Trump for the second time, with 10 Republicans joining their votes with the Democrats. It will then move to the Senate, like the first time, but the required majority to succeed looks difficult to reach, especially as there is a risk of more violent demonstration. The trial should not take place in the Senate before the last day of the current administration next week, making it look even more political than practical. President Trump unambiguously called against violence, lawbreaking and vandalism of any form,

saying that no true Trump supporter could endorse political violence. Joe Biden's inauguration will take place next week against a backdrop of tensions.

On the virus front, the situation was unchanged with ICUs being almost overwhelmed in the UK and global infections staying at a high level. On a more encouraging note, Johnson and Johnson released the early results of the safety study of their one-shot vaccine, and they were positive, with 90% of participants making immune proteins. This new option should also be on track for 2021.

Finally, China released another set of brilliant trade numbers, with both imports and exports beating expectations in December. Their year-on-year growth is simply spectacular, at respectively +18% and +6.5%. Year on Year in December means that they still compare to pre-covid levels. The relations between US and China are not improving with the Trump administration, still active, barring a selection of products from the Xinjiang province, home to the Uighurs community, over claims of forced labour. However, Alibaba, Tencent and Baidu should not be included on the US blacklist of companies, banned from investment because of their links with China's military and security services. The founder of Alibaba, Jack Ma, remains out of sight, but his company is issuing a jumbo dollar bond which targets to raise as much as 8 billion.

Staying in Asia, the early trading hours are well oriented. Alibaba, Tencent and Baidu are pushing indices higher in China and Hong-Kong, and the Nikkei follows. Taiwan is waiting for its superstar TSMC to report numbers, which should be their fastest profit growth in a decade according to consensus expectations. Both treasury yields and dollar are up, although modestly, which weighs on oil and gold prices, slightly down.

There are interesting news to follow today. The Fed policy will be in the spotlight with Jerome Powell to speak and, undoubtedly, give more comfort on the duration of the various relief and asset purchase programs in place. President elect Biden is expected to announce his fiscal stimulus plans. Corporate earnings will include TSMC and Blackrock in particular

Stay safe.

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