



## CIO OFFICE MORNING MARKET WRAP – 14th January, 2022. ALSO AVAILABLE ON ALEXA.

Asia equities trading lower this morning with mainland China weaker on the open, with India, Taiwan, Japan and South Korea also down. This follows the US markets with the S&P 500 and Nasdaq ending lower yesterday. European markets had a positive close with automakers and energy stocks up. GCC markets had the UAE and KSA both up, with bank stocks gaining. This morning Asia tech weakness is taking a cue from the US price action, though losses are broad based. China trade data this morning has record numbers with exports in yuan terms up 21.2% in 2021 compared to 2020, while imports rose 21.5%. December data however showed moderation in export and import growth. December exports rose 16% in yuan terms from a year ago, down from 16.6% in November, lower than the median estimate of 16.3%. Growth in imports in yuan slowed to 15% in December from a 26% increase in the previous month. Some softening post prior outperformance, though ease in global demand and cost pressures are skewing risks to the downside. Omicron-related disruptions pose uncertainties going forward. Latest consensus polls showed lower GDP growth expectations amid added headwinds from property market weakness, debt constraints and tougher pollution measures. Major currencies little changed with the yen slightly firmer. Oil down marginally as are cryptos. Gold up to \$ 1826.

While we remain constructive on market performance for the full year, we continue to highlight that the market will see some sharp swings as we start the year with higher valuations post 2021's strong returns from the US and Europe. Tightening, rate hikes, inflation and the virus impact remain headwinds. After a two-day bounce U.S. equities finished lower, as the recent rebound for Technology reversed. The S&P 500 fell 1.4% and the Nasdaq 2.5% This seems a delayed reaction to Wednesday US consumer

prices data with CPI up 7% y/y in December 2021, the fastest pace of increase for 40 years. The retreat in growth stocks started shortly after the open, even as the Treasury market remained calm and the 10-yr yield declined by one basis point to 1.71%. The rotation out of growth is in line with the Fed's plans to tighten policy, possibly starting in March, to help keep inflation in check. Fed Vice Chair nominee Lael Brainard told the Senate Banking Committee in her confirmation hearing yesterday that the Fed's most important task is to rein in inflation while sustaining an inclusive recovery. Other economic releases continue to highlight inflation. A report on Thursday said wholesale prices increased at an annual rate of 9.7% in December, slightly below economists' forecasts but the largest annual rise since this measure started in 2010. Mixed economic data showed that while producer prices moderated more than expected compared to last month, they remained severely elevated versus last year. Jobless claims rose for a second-straight week, likely due to the impact of the omicron variant, but continuing claims remained in a downtrend. This follows the Beige Book data: supply chain and labor continue to be headwinds; consumption remains strong, but growth expectations are decreasing.

U.S. banks Fargo, Citigroup, JPMorgan to report earnings today along with Blackrock, the world's largest asset manager. As global bank earnings get underway with the US large caps, and the banks are at the heart of the market rotation, their outperformance should continue, with bank earnings marked by strong loan growth and future NIM upside. Economic releases today include CPI data from several countries in Europe, U.S. business inventories, industrial production, University of Michigan consumer sentiment and retail sales.

Stay safe.

**MAURICE GRAVIER**  
Chief Investment Officer  
Wealth Management  
Emirates NBD

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