



CIO OFFICE MORNING MARKET WRAP – Tuesday September 14th, 2021. ALSO AVAILABLE ON ALEXA

The international week started well for markets this Monday. Global stocks gained 0.4% on average, and bonds were steady. The US 10-year Treasury yield lost 2 basis points to 1.33%. Brent crude oil kept on rising, adding 1% to close at \$73.7. Bottom-line, last week's anxiety didn't turn into something more problematic over the weekend, despite rising covid cases, bearish strategists' calls, China's intensifying regulatory crackdown, and ahead of important US inflation gauge today.

The Consumer Price Index for August will be released at 4.30PM Dubai time and come after higher-than-expected Production Price Indices last week. The median forecast from the consensus of economists is for a +0.4% monthly rise, after +0.5% in July. On a year-on-year basis, this would mean a very significant +5.3% and confirm high levels for a fifth month. Inflation control is an explicit part of the Fed's mandate, at a time when the institution is deliberating when to start reducing their asset purchases.

A higher-than-expected CPI, one week before the FOMC, could move market expectations forward from December to November for tapering to start. Staying on the US stimulus topic, the congress has started intensive negotiations around the tax and spend plan from the Biden administration. The most likely outcome is a slightly smaller package overall, funded by a milder increase in taxes. The overall size remains massive at \$3 trillion, around 15% of the annual size of the US economy.

As we write this morning, markets in Asia are steady, with both stocks and bonds being well oriented everywhere. While stocks in Japan are nearing a 30-year record high, Korea is up 1%, India 0.5%, China is the only exception with a modestly negative daily return so far. Markets have to digest another bit of regulatory pressure on tech and Alibaba in particular, while simultaneously looking at the very worrying situation of real estate developer Evergrande's mountain of debt. Considering the news flow, seeing Hong-Kong almost unchanged and onshore markets down by only -0.3% this morning could indicate that a lot of concerns are already priced-in. Or that a lot of international investors are already out.

Apart from the key US inflation gauge, we will of course look at Apple's product-launch event tonight. Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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