



## **CIO OFFICE MORNING MARKET WRAP – 16th November, 2021. ALSO AVAILABLE ON ALEXA.**

Most Asian markets are rising this morning and the yuan is appreciating as traders monitor the first virtual summit between President Joe Biden and the Chinese leader Xi Jinping. US Treasuries are declining, with the yield on the 10-year note above 1.6%, on renewed concerns about inflation and the possible timing of the withdrawal of central bank stimulus. US equity futures are little changed, as well as the US dollar and gold.

Joe Biden and Xi Jinping's virtual meeting is underway as of the time of writing, with trade and Taiwan seemingly at the top of the agenda. Actually, both sides aim more at stabilising relations than achieving breakthroughs, given the unwillingness of either party to budge much on any major issues. Both are hoping to be able to coexist with each other, though one may wonder how in the end that could be possible, with China gaining consistently ground with its assertive attitude and the incumbent power increasingly uneasy about that. Yet, at this stage dialogue seems to be more important than ever, since, being each side much in the dark about the other's capabilities and intentions, "to expect that wise decisions will be made ... is an act of faith ... that I don't accept", said ex Secretary of State and National Security Advisor Henry Kissinger in a recent interview. And the fact that China, much to the US astonishment, tested a hypersonic missile and on top of that is planning to quadruple its nuclear arsenal by 2030, speaks a lot to how advanced that dialogue is. And AI is nowadays only complicating matters, since wars can be now fought by gaining advantages in an invisible way, which once more goes against the basic principle of avoiding a confrontation via talks and transparency. Can it be of comfort for the United States that the former head of AI at the Pentagon recently resigned because he thought that the

cyberwar against China “is already over”? Of course China will be aiming at stable relations with the US, it is within the confines of that stability that it has so far managed to make impressive inroads without the headache of a confrontation.

Views on the outlook for US policy rates next year are wide-ranging, from a no hike, to accelerated hikes, the former for instance expected by the Morgan Stanley’s macro strategy team, the latter by none other than ex New York Fed president Bill Dudley. At Morgan Stanley they think that, by the time the March FOMC meeting is due, inflation will come down and supply bottlenecks ease, so that pressure to tighten will substantially be gone, and most likely with an even more dovish Board composition than today’s. This would be a mostly benign scenario, but not shared in the least by Mr Dudley, who sees rates peak “probably 3% to 4%”, holding the view that tightening would start after June and “go to a higher rate than people think”. Being this the view of the ex-president of the most influential district bank, equity bulls might as well hope for such a severe slowdown in 2022 that any kind of tightening plan would be promptly shelved. It is maybe not so much who says what, as what is believed collectively, in the sense that, never mind the single opinions, as long as the market discounts no hikes or a very shallow tightening cycle, risk assets are supported. And currently this seems to be the message from gold, which broke out to the upside of a four-month range last week after the thirty-year high in the CPI, suggesting the Fed will fall behind the curve in tackling inflation. Of course, a hawkish shift in tone by the Fed chair, especially as we draw closer to the end of the tapering process, would be changing the market’s ‘groupthink’ to align it more with Mr Dudley’s viewpoint. After all, why would any Fed chair be crashing the market now, rather than buying more time and waiting to see how the economy changes?

President Biden’s popularity continues to drop and has now reached an all-time low of 41%, according to a latest Washington Post poll. The majority of Americans now disapprove of Joe Biden’s performance, with harsh judgements also about the state of the economy. Should the Democrats start to be concerned about the prospect for the 2022 midterm elections? History shows they should. Consider the net approval rating - approval minus disapproval - of each president since the end of WWII. According to historical data there is a strong correlation, more than 80%, between the net approval rating of a president at this point and a year from now. Most presidents tend to lose ground from now simply because, starting popular, their approval ratings tend to revert to the point where half the population likes someone and half doesn’t. What statistics won’t tell us is whether Mr Biden will hold his ground, like for instance Bill Clinton in 1993, or lose it with double-digit declines, like Barack Obama in 2009. Also, judging from how historically Americans would have voted for either party at this point in time according to an average of polls, and how that party would be faring one year from now, the Democrats cannot rejoice at all. Here correlation is even stronger, at 0.9%, showing that the party in the White House has usually lost ground from this point until the midterm, and Democrats and Republicans are now basically tied as per an average of polls. There will be no survey ever telling us what kind of hopes Democratic candidates have entertained at this point in time, but no doubt that all of them are hoping they are outliers this time.

Stay safe.

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

# DISCLAIMER

## Reliance

Emirates NBD Bank PJSC (“Emirates NBD”) uses reasonable efforts to obtain information from sources which it believes to be reliable, however, Emirates NBD makes no representation that the information or opinions contained in this publication are accurate, reliable or complete and should not be relied on as such or acted upon without further verification. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. Data/information provided herein are intended to serve for illustrative purposes and are not designed to initiate or conclude any transaction. In addition this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to the determination of whether a particular investment activity is advisable. This publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness provided thereto by unaffiliated third parties. Moreover, the provision of certain data/information in this publication is subject to the terms and conditions of other agreements to which Emirates NBD is a party. Anyone proposing to rely on or use the information contained in this publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts. Further, references to any financial instrument or investment product are not intended to imply that an actual trading market exists for such instrument or product. The information and opinions contained in Emirates NBD publications are provided for personal use and informational purposes only and are subject to change without notice. The material and information found in this publication are for general circulation only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated

## Confidentiality

This publication is provided to you upon request on a confidential basis for informational purposes only and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal. The investor may not offer any part of this publication for sale or distribute it over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet without the prior written consent of Emirates NBD or construct a database of any kind.

## Solicitation

None of the content in this publication constitutes a solicitation, offer, opinion, or recommendation by Emirates NBD to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment and further does not provide any fiduciary or financial advice.

## Third party

The security or investment described in this publication may not be eligible for sale or subscription to certain categories of investors. This publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD. The investor may not use the data in this publication in any way to improve the quality of any data sold or contributed to by the investor to any third party.

## Liability

Anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. Under no circumstances, including but not limited to negligence, shall Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if Emirates NBD has been advised specifically of the possibility of such damages, arising from the use of this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business. This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, the risks should be fully understood and a determination made as to whether a transaction is appropriate given the person's investment objectives, financial and operational resources, experiences and other relevant circumstances. The obligations relating to a particular transaction (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk should be known as well as any regulatory requirements and restrictions applicable thereto.

## Forward looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute “forward-looking statements”. Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “seek”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. Undue reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

# DISCLAIMER

## Risk

Data included in this publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk, and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records.

The use of this publication is at the sole risk of the investor and this publication and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use.

Investment in financial instruments involves risks and returns may vary. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, prices and other factors and there is the possibility that you may lose the principle amount invested. Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment.

In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

## Intellectual property

This publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others.

All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between the investor and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, the investor may not copy or make any use of the content of this publication or any portion thereof. Except as specifically permitted in writing, the investor shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose.

This publication is intended solely for non-commercial use and benefit, and not for resale or other transfer or disposition to, or use by or for the benefit of, any other person or entity. By accepting this publication, the investor agrees not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, the investor may not use any of the trademarks, trade names, service marks, copyrights, or logos of Emirates NBD or its subsidiaries in any manner which creates the impression that such items belong to or are associated with the investor or, except as otherwise provided with Emirates NBD, prior written consent. The investor has no ownership rights in and to any of such items.

Emirates NBD is licensed and regulated by the UAE Central Bank.

## United Kingdom

This publication was prepared by Emirates NBD Bank PJSC in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank PJSC which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank PJSC outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

## Singapore

This publication was prepared by Emirates NBD Bank PJSC in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank PJSC which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA)). Any services provided by Emirates NBD Bank PJSC outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication. Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate.

For contact information, please visit [www.emiratesnbd.com](http://www.emiratesnbd.com)