



## CIO OFFICE MORNING MARKET WRAP – 17th May, 2022.

Last week was extremely volatile and overall negative for most markets. Stocks lost between -2 and -3% across regions, and so did global real estate. Gold corrected by almost -4%, entering negative year-to-date territory. The fixed income universe was to some extent supported by risk aversion, with the safest segments being close to flat over the week. The trend was slightly better on Monday. While US stocks closed -0.5% lower, global indices managed to be slightly up +0.1%, with Europe flat and Japan adding +0.5%. Emerging stocks were also up +0.5% on average. Interest rates were lower by -4 basis points on the US 10-year, closing at 2.88%. The price of Brent crude oil gained +2.4% to \$114 and the trade-weighted dollar was little changed. Major cryptocurrencies stabilized around key round levels, \$30,000 for bitcoin and \$2,000 for ether.

China reported economic data yesterday and they were not good. Industrial production for April was -2.9% lower than a year ago, a clear consequence of Covid related lockdowns. They also impacted retail sales, down a material -11.1% year-on-year. Meanwhile in the US, the Empire Manufacturing index tumbled in May to -11.6 after +24.6 in April, which compares to a median forecast of +15. The combination of high inflation, disrupted supply chains and sharp monetary tightening is taking a toll on

manufacturing executives' morale. In other news, Elon Musk said he is mulling reducing his bid on Twitter shares, citing doubts on the quality of data and on the number of "real" accounts in the social platform.

As we write this morning, Asian stocks are well oriented, and it's the third day in a row, something we haven't seen for some time. There are two reasons: first, renewed optimism about the fact that Beijing could ease its regulatory pressure on tech, following a meeting between internet giants and regulators. Second, the Covid situation shows signs of improvement, with Shanghai reporting three days without community transmission, which also raises hope for some easing of the currently extremely strict lockdown. Stocks are up +2.2% in Hong-Kong, led by technology, and +1% in China's onshore markets. The Nikkei gains +0.3% and Korea +0.8%. US Treasury yields are rising in Tokyo trading, with the 10-year adding +3 basis points to 2.91%. Gold is flat around \$1820 and crypto currencies rebound between +1% and +2%.

Today will provide some interesting economic data, especially US retail sales for April which are expected to have gained +1% month-on-month – we wouldn't be surprised to see even a bit more. US industrial production is expected to decelerate to +0.5% in April after +1% in March. Quarterly GDP for the Euro area will be released at 1PM Dubai time and the median forecast is for +5% year-on-year. Finally but as always importantly, officials from central banks will speak in various instances and conferences, including ECB's Lagarde and Fed's Powell tonight.

Stay safe.

Chief Investment Office  
Wealth Management,  
Emirates NBD.

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