



CIO OFFICE MORNING MARKET WRAP – Tuesday January 18, 2022. ALSO AVAILABLE ON ALEXA

Stock markets were well oriented in developed regions on Monday, except for the US closed for a holiday. Europe and Japan had an average 0.5% gain, while emerging markets were broadly unchanged.

There is more action this morning in Asia, as cash trading on US treasuries resumes on a clear bearish trend. Treasury yields are up across the curve, increasingly reflecting the hawkish stance of the Fed. The 2-year maturity crosses the 1% mark for the first time since the pandemic started, gaining 7 basis points to 1.04%. The 10-year yield is up 6 basis points to 1.84% and in-between, the 5-year is 7 basis points higher at 1.63%. This is not a small move, and some technical analysts are now calling for the 10-year to approach 1.95%. As we write, future contracts on Western stock indices are not affected, indeed grinding marginally higher. Most Asian stocks climb this morning, starting with onshore China, up +1% after the PBOC unexpectedly cut rates yesterday.

Hong-Kong is flat while the Nikkei gains +0.8%. benefitting from a weaker yen after the Bank of Japan confirmed their accommodative policy. The technology rich Kospi however underperforms, currently down -0.3%. By contrast, energy is sought after. The price of Brent crude oil just broke the \$85 level which is a +1.5% gain. This could be explained by various factors, from the overall trust in the medium-term economic outlook to current supply disruptions but also geopolitical tensions. Monday's deadly explosions in Abu Dhabi was claimed by Houthi militias as drone strikes. Staying in our region, Ray Dalio, arguably one of the brightest minds of the investment industry, spoke at the Abu Dhabi Sustainability Week, and praised the reliable energy supply from oil producers. His voice joins a growing cohort which considers that the transition to green economy shouldn't be too quick and that investors should keep financing the oil sector.

In other news, a trial in Israel concluded that a fourth dose of the Pfizer-BioNTech vaccine does not materially protect from infection from the omicron variant. The good news is that symptoms for 4 times vaccinated are mild or even inexistant. In Hong Kong, two former Cathay Pacific air crew members were arrested by the police for violating pandemic rules as they were identified as the source of the latest omicron break. China also halted ticket sales to the general public for the 2022 Winter Olympic games. The virus undoubtedly keeps on spreading globally, but it is interesting to note a deceleration in daily infection numbers, which of course has to be confirmed. Omicron is a giant wave, but it should still be a wave, which at some point will abate.

Today we will have a look at Germany's ZEW survey for December, but corporate earnings will prevail this week. Today Goldman Sachs will release their quarterly numbers. Stay safe.

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