



CIO OFFICE MORNING MARKET WRAP – April 21st, 2021. ALSO AVAILABLE ON ALEXA.

The major stock markets closed in the red on rising global virus cases prompting some profit-taking. Yields lost ground again, the dollar gained and Brent crude retreated from a 5-week high. This year stocks and yields have moved in the same direction, spelling growth ahead, hence there is the possibility of both turning south, which could just indicate growing risk-aversion. The difference between implied and realised equity volatility touched unsustainably low levels portending in turn future higher volatility as highlighted by the Goldman Sachs derivatives team in a client report, and utilities have been outperforming the S&P 500 since March, which in recent years either preceded or happened in conjunction with market losses. And, of course, after the fact we would also be able to say that the plunging Bitcoin was anticipating market turmoil! We can only conclude with the conviction that the massive liquidity backdrop is likely to put a floor under risk assets prompting the buy-the-dip-crowd to step in sooner rather than later.

On a less short-term note, more investment professionals are starting to sound alarm bells on the booming SPAC market, the special-purpose acquisition companies used to mitigate the market volatility risk of traditional IPOs. According to Paul Marshall, co-

founder of hedge fund giant Marshall Wace, the “phenomenon will end badly and leave many casualties”. Investors basically take a leap of faith by writing a blank check to the management going after target companies. It is not a coincidence that a rush to list SPACs recently sparked more regulatory scrutiny. Being the success of SPACs a sign of the times of unchecked liquidity, eventually Mr. Marshall will most likely be proven right.

Netflix failed to hold to an almost 12-month high and tumbled in extended trading adding fewer new customers than expected, although it topped earnings and sales targets. Johnson and Johnson gained more than 2% as it beat on sales and narrowed earnings guidance for 2021.

On the J&J vaccine the EMA, the EU drug’s regulator, ruled that “benefits outweigh risks”, allowing the company to restart shipments to the euro area following the finding. According to a survey by the KFF Vaccine Monitor political polarization is affecting vaccination campaigns as well, with about one third of Republicans either in the “definitely not” or “only if required” camp. The weekly trends in new virus cases seem to be worsening again globally, with India being the weak link, where PM Modi asked states to avoid shutting businesses. Tokyo will ask the Japanese government to declare a state of emergency.

Apple yesterday in an hour-long commercial streamed from his headquarters unveiled new products centred on protecting consumer privacy and at the same time aimed at making inroads in markets still dominated by smaller rivals. The company will bring to market a new iPad Pro, a refreshed iMac desktop computer and an upgraded Apple TV. After its product show Apple said that it is planning to release next week a new iPhone software that will require apps to get explicit permission from users before tracking them across other apps, a feature of major concern to digital-advertising companies like Facebook.

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MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD.

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