



CIO OFFICE MORNING MARKET WRAP – Monday 22nd March 2021. ALSO AVAILABLE ON ALEXA.

Last week was volatile and overall negative for most asset classes, after an update on policies from central banks failed to reverse the rise in bond yields. Central Banks remain in focus today, more specifically in Turkey: the CBRT Governor Naci Agbal was replaced by Sahap Kavcioglu. While no official reason was cited for the change, it follows a series of interest rates hikes in his 4 months tenure, the latest being a sharper than expected 200 basis points increase last Thursday. His action was appreciated by international market participants, which had resulted in significant inflows and net long positions in Turkish assets, including substantial carry-trades. As markets are always shocked by the unexpected, the Turkish Lira is down around 10% against the Dollar this morning in Asia. The new Governor, Mr Kavcioglu, is an economist, professor at Institute of Banking and Insurance at the Marmara University. He is also a former parliament member within the ruling AKP party, and writes columns in Yeni Safak newspaper. Mr Kavcioglu aims at finding a balance between Turkey's external financing needs, inflation control and aspirations for growth. His stance is clearly for lower interest rates. As always, we'll have to wait for more clarity before Turkish assets stabilize. Currently the Lira is recovering from its trough of -15% earlier this morning.

Closer to us, Saudi Aramco released their partial results. Net income for 2020 was 184 billion Riyals or \$49 billion, understandably down 44% from the previous year but better than the median analyst forecast. The free cash flow generated was roughly the same amount. Importantly, the company confirmed the payment of a \$75 billion dividend for the year, which is the largest of any listed company. Aramco will release all details on numbers later today.

As we write this morning, the morning session of Asian markets is mixed and hesitating. On the back of steady interest rates, with the US 10-year Treasury yield close to 1.7%, stocks are down -1.8% in Japan as the Yen is firmer against the dollar. Stocks are close to unchanged in Hong-Kong and Korea, while Chinese onshore and Australian indices are slightly up. Future contracts are slightly lower on oil, just above \$64 for the Brent crude, and fluctuating between red and green for US stocks.

Elsewhere in the news, the battle is raging to get the vaccines in Europe. The EU will start reviewing, and potentially rejecting, export authorization of AstraZeneca's shots to the UK until the drug maker fulfils its delivery obligations. The US had already blocked any export from their territory. Getting vaccines is obviously crucial, as data now unambiguously show better containment in countries which have been wise enough to secure them. In the UAE, the number of daily infections is now below 2000 which is close to half the peak number of late January. Without vaccines, restrictions are the only efficient tool: tighter rules have been imposed on several parts of France, including Paris, and Angela Merkel is proposing an extension of the current lockdown by a month in Germany.

Today we will look at the detailed results from Saudi Aramco and listen to speeches from various Central Banks' officials. Later, in the week ahead, Jerome Powell and Janet Yellen will testify Tuesday on US stimulus, which could include some hints on future taxes and spending policies. They will be followed on Thursday by CEOs from US big tech companies on their management of information. The week will also include an important auction for US Treasuries on 2, 5 and 7 year maturities and parliamentary elections in Israel.

Stay safe.

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