



CIO OFFICE MORNING MARKET WRAP – 23rd June, 2021. ALSO AVAILABLE ON ALEXA.

The mood remained constructive on global markets on Tuesday. Stocks added 0.7% on average with the US closing up 0.5%. Interest rates were slightly lower: the 10-year Treasury yield lost 3 basis points to 1.46%. Oil and gold prices were overall stable, and so was the trade-weighted dollar. Our local markets did well, with Dubai and Abu Dhabi up half a percentage point, confirming their year-to-date leadership among the broad emerging markets universe. The countdown to the Expo is now set to -100 days before the opening.

There was no crucial economic data release yesterday, but a converging stream of minor good news: better than expected home sales in the US, an improving consumer confidence in Europe, as well as positive outcomes from regional economic surveys in Richmond and Philadelphia. The focus was elsewhere, on Jay Powell's congressional testimony. His take on the outlook was more moderate than the initial reading from last week's FOMC meeting. It was not a surprise, but market participants were obviously glad to hear that the Fed is nowhere near raising rates. He basically repeated that temporary factors were largely behind the current, and steeper than initially expected, rise in inflation. The timing for the pressures to abate may be difficult to estimate, but the Fed will not raise interest rates pre-emptively. Finally, the tapering debate is open but asset purchases won't be adjusted before factual reasons to do so, especially a clear improvement in the job market.

The crypto complex confirmed its current boom and bust dynamics. Yesterday started with a bloodbath, with bitcoin briefly falling below the \$30000 mark, before reversing and rebounding to \$34000 as we write. The move was as always mimicked by most major cryptos, except of course stablecoins. Extreme volatility and extreme correlation confirm the difficulty to insert crypto assets in a fundamental investment framework yet, as we discussed extensively in last week's Market Matters podcast. China's crackdown on mining is severe and probably motivated by several different reasons. However, one can reasonably think that the resulting displacement of mining activity in other countries is a net benefit for the crypto industry: more regional diversification, and crucially, cleaner sources of energy, are not bad news compared to the current situation where two thirds of related computing power are in China.

The morning hours of trading in Asia are relatively quiet as we write today, with a positive mood. Stocks are steady with Hong-Kong outperforming while Japan is flat. Treasury yields are stable and western equity futures hold yesterday's gains. Oil remains sought after: future contracts on Brent crude are trading above \$75, in anticipation of tonight's EIA crude inventory report.

Today we will look at flash PMIs in France, Germany, UK and the US.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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