



## **CIO OFFICE MORNING MARKET WRAP – Sunday 24th January 2021. ALSO AVAILABLE ON ALEXA.**

Last week was positive across financial markets: all the major asset classes delivered positive returns. Stocks outperformed, with a 2.6% gain in emerging markets followed by +1.5% in developed. Our local stock indices did very well, with Abu Dhabi adding 6.5%, helped by foreign ownership limits being relaxed. Gold gained 1.5%. Interest rates were flat to marginally lower over the week, supporting the fixed income asset class, overall, slightly positive with the corporate segments outperforming. Oil is holding around \$55 a barrel for the Brent crude.

Last week was eventful in Washington. President Trump left office with a very low approval rating but with highest levels ever on key US stock indices. President Biden took office and issued a record number of executive orders, half of them to boost the COVID-19 response. His new Treasury Secretary, the former very accommodative Fed chairperson Janet Yellen, confirmed a clear intention for massive fiscal stimulus. Debates are raging about the need and the timing of the tapering of the current extraordinary monetary support. For the time being, the second wave of the virus is broadening, even affecting China, which should keep on depressing economic activity in Q1.

However, with vaccinations progressing very quickly and the hospitalization curve apparently flattening globally, the backdrop for a rebound is here but it's not for now. This explains why interest rates were quiet, and to some extent why the sectoral leadership of cyclicals made a pause. Indeed, tech and growth outperformed last week. The stellar numbers of Netflix could be an explanation as the stock gained 16% and provided impulse for a second wave of retail enthusiasm.

Our current tactical positioning is overweight stocks versus bonds, neutral cash, and underweight alternatives. Our cyclical exposure is expressed through emerging market equity, while we seek coupons in high yield and EM debt. Cash and Gold are our preferred assets for risk mitigation: no doubt, the precious metal could be under pressure with higher inflation expectations, but it makes sense to hold it in a diversified portfolio and we don't try to time it.

In the week ahead, Donald Trump's impeachment trial will be discussed in the US Senate from Monday, but there are calls for a delay. What is mostly at stake is to block, or not, Mr Trump for running again for presidency in 2024. The earnings season will continue and accelerate, and we will get a series of interesting economic data: the German IFO, US consumer confidence followed by their Q4 GDP. The Fed will hold its monthly FOMC meeting.

Stay safe.

**MAURICE GRAVIER**  
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