



CIO OFFICE MORNING MARKET WRAP – Wednesday November 24, 2021. ALSO AVAILABLE ON ALEXA

Nervosity keeps on dominating markets, torn between a positive scenario of robust recovery, and a sinister one combining rising infections and faster than expected tapering from central banks.

Stocks were little changed on Wednesday on developed markets, and slightly up in emerging ones – where the virus and central banks' dynamics are indeed very different. Interest rates were marginally firmer, with a gentle steepening of the curve: Treasury yields on 5, 10 and 30 year maturities added respectively 2,4 and 6 basis points. The 10-year closed at 1.67%, approaching our year-end fair value of 1.75%. Gold fell to \$1790. Interestingly, the price of Brent crude oil jumped +3.2% to close at \$82.2. The move is quite telling: yesterday, the US announced the release of 50 million barrels from reserves, a move coordinated with China, Japan, India, South Korea and

the UK in a joint effort targeting lower prices. Prior to this announcement, the OPEC+ group had clearly said that such a release was unjustified and that it could make them reconsider their production increases plans. It looks like the capacity of the OPEC+ to resist and even counter political pressure is taken very seriously by market participants. The combined release of reserves could be between 70 and 90 million barrels in total, a considerable volume in absolute but a one-off, which is not far from one day of global production. All eyes will focus on the reaction of OPEC+ of course, and it is interesting to note that President Biden doesn't seem to escalate the face-off with the group, with instead a focus on US gasoline suppliers' margins. Bottom-line, there is a good chance that the release of reserves may simply be counterproductive. Brent's premium over US WTI logically climbed yesterday.

Staying in geopolitical relations, Biden has included Taiwan for the first time among the 110 invitees of the upcoming democracy summit, taking the risk to anger China further, especially as according to a local newspaper, Taiwan is considering banning some senior Chinese official from entering the country. On a more positive note, His Highness Sheikh Mohamed bin Zayed Al Nahyan will visit Turkey today, at the invitation from President Erdogan. Yesterday the Turkish lira had a tumultuous session on FX markets, falling as much as -15% intraday against the US dollar, reaching its lowest value ever, before paring part of the losses. The turmoil amplified after President Erdogan defended his demand for lower interest rates, at a time when inflation rages in the country. The lira closed at 12.8 for a dollar.

On the economic data front, flash PMIs were released yesterday and they were not bad. Both manufacturing and services indicators were comfortably above expectations in Eurozone and in the UK. The composite, i.e. combined measures, are respectively at 55.8 in the EMU and 57.7 in the UK. In the US, the manufacturing index was in line with expectations at a roaring 59.1 while services were below at 57. Comparable measures in Japan have just been released and they are improving, although marginally, to 52.5 at the composite level. This is objectively a positive for the global economy in Q4.

As we write, Asian markets are overall negative. The Nikkei is down -1.3%, domestic China and Hong-Kong are lower by -0.1%, and Korea is in between at -0.3%. Interest rates are modestly lower with the 10-year Treasury yield losing -2 basis points at 1.64%. Oil prices are stable, and major crypto assets are down again, with bitcoin currently trading around \$56500.

We expect more economic data today, especially from the US: the second print of Q3 GDP growth, October personal income and personal consumption as well as the core PCE. In Europe, the IFO survey may reflect the impact of rising infections and energy crisis on business sentiment. Stay safe.

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