



CIO OFFICE MORNING MARKET WRAP – Monday 25th January 2021. ALSO AVAILABLE ON ALEXA.

There was optimism in the air last week. The first hours in office for President Biden confirmed the perspectives of more fiscal stimulus, and interest rates made a pause. The technology sector had a great week in such a contest, especially after the solid results from Netflix.

No doubt, the virus is still raging globally but despite some operational challenges the vaccination curve is also steep. Market participants, as they often do, took the stance of looking through the short-term uncertainty to focus on the medium term outlook. After all, the worsening pandemic could actually help the Democrats pass a sizable fiscal package at the Congress, and against this backdrop, markets are looking ahead to the Fed meeting later this week to get comfort about the fact that any inflexion of the current generosity is not imminent, or even, considered. The Fed is currently purchasing bonds at the astonishing pace of \$120bn per month.

The new week for international markets starts on a positive tone, based on the early hours of trading in Asia. Most Asian stocks push higher as we write. Gains are significant in South Korea and Hong-Kong, both rich in technology and up 1.5%. It is more modest in Japan and onshore China, but indices are up by half a percentage

point. As the World Economic Forum kicks off virtually, leaving the snow of Davos untouched, President Xi will address the global leaders in the opening day. His stance towards the US will be closely watched now that the Biden administration is in place. Taiwan is without a doubt the hottest topic: it is of critical importance to China, both strategically and symbolically, and the US State Department reiterated a “rock solid commitment” to the island on Saturday. Many global leaders, prominent central bankers and businesspeople will speak in the coming days. On top of the usual topics of climate crisis and digitization, the virus will take a center stage. Tougher containment measures are being put in place everywhere, especially travel restrictions in the US, the UK and Scandinavian countries. The total number of confirmed cases is approaching 100 million globally with a death count of more than 2 million. Hong-Kong gives a bit of hope by lifting their first lockdown ever after the government completed testing residents in a large area.

Coming back to the session in Asia, futures on Western stock markets are in the green, and interest rates are steady. Oil futures are slightly down, despite Iraq’s announcement that the country will cut its production to make up for not having been compliant with its OPEC quota. Some oil ports are being closed in Libya due to protests, and the potential measures to limit shale oil in the US from the new administration are not yet known. Closer to us, Saudi Arabia replaced its central bank governor and indicated that its sovereign wealth fund PIF will double in size by 2025.

Today and all week long, we will listen to global leaders at the World Economic Forum. We will look at earnings from big tech companies in particular, including Microsoft, Apple, Facebook and Tesla. US consumer confidence will be released tomorrow, followed by the FOMC meeting on Wednesday, and the US GDP for Q4 on Thursday.

Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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