



CIO OFFICE MORNING MARKET WRAP – 25th April, 2022.

It's a difficult year for investments so far, and the third week of April was no exception. All major asset classes had negative weekly returns. Global stocks lost -2.6% in developed markets and -3.3% in emerging regions. The fixed income universe was affected by rising interest rates, especially on the shorter maturities. The US 5-year Treasury yield added +15 basis points from one Friday to the next, to close at 2.93% while the 10-year gained +7 basis points to 2.89%. The weekly returns of the fixed income segments were between -1.4% for government bonds and -0.9% for high yield. Within alternatives, gold was no shelter with a -2.4% drop but both hedge funds and global REITS fared better at -0.2%. The drivers are well known and not new: the rhetoric from central banks became more hawkish every day, with a +75 basis points hike now openly discussed, with tightening US labor market as backdrop. While the probability of such a move remains low, a 50-basis points increase next month is almost certain and it may potentially be followed by another one. Concerns about monetary policies combined with the war in Ukraine entering its third month, and with signs of a sharp slowdown in China: the Omicron wave is still not under control, and the radical zero-COVID takes a toll on activity.

Risk-aversion is material in Asian markets as we write this morning. The Nikkei, Hong-Kong and China's domestic markets are all lower by around -2% today, while Korea is down -1.4%. China's COVID situation is worsening, with Beijing being now partially locked-down. This weighs on the outlook for commodities, among which oil, with the price of Brent crude down -2.9% to \$103.5. Apart from the concerns from China demand, Libya is said to resume output in previously closed fields in the coming days. With regards to currencies, the offshore yuan fell to 6.6 for a dollar, the lowest since April 2021. The Japanese yen also holds its rock bottom 130 for a dollar. The euro erased its initial gains after Emmanuel Macron won a second presidential term yesterday – one euro buys 1.08 dollar, which is not far from a 5-year low. Crypto currencies are also down with bitcoin below 40,000 and ether below 3,000. Gold is marginally lower and so are future contracts on Western stock markets.

The week ahead will revolve around the same narratives of central banks' tightening, China slowing, and high uncertainty in Ukraine. GDP estimates for the US and Europe as well as inflation data will be released at the end of week, while corporate earnings will continue to flow, including importantly the big US tech names Alphabet, Meta, Amazon, and Apple. So far, the Q1 earnings season is good, even if it's not reflected by price action – valuation is improving every day, which is the good news from an overall difficult picture.

Stay safe.

Chief Investment Office
Wealth Management,
Emirates NBD.

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