



## **CIO OFFICE MORNING MARKET WRAP – Monday October 25, 2021. ALSO AVAILABLE ON ALEXA**

Last week was positive for stocks, supported by a strong start to the Q3 earnings season, while defensive assets were under modest but continuous pressure from steady interest rates. The week ahead will provide plenty of data: 40% of listed companies worldwide will report their Q3 results, and major countries will release their GDP numbers for the same period. Our scenario is for a robust growth with a material inflation, which should provide a constructive backdrop for risk assets, tempered with elevated volatility.

Yesterday was positive for our regional markets – both Dubai and Abu Dhabi key indices added slightly less than a percent, led by the financial and logistic sectors. As we write, the morning session in Asia is looking for a direction. Stock indices are

modestly up in Korea, flat in Hong-Kong and onshore China, and down 1% in Japan. Inflation risk continues to be in everyone's mind: oil prices are up again, with the future contracts on Brent firmly above \$86, as Saudi officials suggested that the OPEC+ could remain cautious. Interest rates are slightly higher across maturities. Sentiment remains mixed on China, as the current delta-variant outbreak looks set to worsen, adding another challenge to the currently tepid economic outlook, also pressured by the real-estate sector slowdown. No surprise then that the central bank boosted their daily liquidity injection today, and that authorities are testing a new real-estate tax to better control potential excesses there. We tend to believe that more stimulus could be coming, as the current level of 2021 growth expected by the consensus looks increasingly difficult to reach – around 8%. By contrast, India seems to confirm that the worse of the pandemic is over, and UBS raised their forecast for the country's 2022 GDP growth to an impressive 9.5%. Meanwhile, the Turkish lira fell to another all-time low, now approaching 10 for a US dollar, under the double influence of last week's unorthodox rate cut by the central bank, and of President Erdogan's intention, expressed over the weekend, to expel ambassadors from 10 nations including the US, Germany or France. On a much more positive note, closer to us, during the Saudi Green Initiative Forum in Riyadh, the country leadership pledged to reach net zero greenhouse gas emissions by 2060. The Future Investment Initiative conference, the "Davos in the desert", will kick off tomorrow in the Kingdom's capital.

Switching to the corporate world, Saudi Aramco, the world's biggest exporter of oil, has also set the goal to reach net-zero emissions from their operations, 10 years earlier than the country, in 2050. The idea is obviously not to get rid of hydrocarbons, but to extract them in a cleaner way and/or compensate emissions. The current global energy crisis anyway reminds us that transition has to be gradual and that some of the renewable energy sources are simply too weather dependent for humanity's needs. Companies will dominate headlines in the coming days, with results from big tech being particularly scrutinized. Facebook will report their numbers tonight post US market: the impact of supply chain bottlenecks on ad spending will matter, but also Apple's new data collection restrictions. The latter is undoubtedly a positive move for individual's right to privacy, basically not being tracked by default, but it also means the end of an era for digital giants who were used to a disproportionately favorable situation. Twitter and Alphabet-Google will report tomorrow, before Amazon and Apple later this week. According to research, hedge funds positions in FAANG names are at their lowest in 2 years, which is probably a combination of profit taking and risk management rather than outright short.

Apart from corporate results, starting with HSBC which just reported better than expected profit five minutes ago, we will look at Germany's IFO business survey today. Stay safe.

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