



CIO OFFICE MORNING MARKET WRAP – Thursday November 25, 2021. ALSO AVAILABLE ON ALEXA

Financial markets were quieter yesterday, with broadly flat returns across asset classes. With the exception of Japan, in the red, major stock markets were unchanged to slightly up. Interest rates saw a modest “bull flattening”: the 5-year Treasury yield was unchanged at 1.34% while the 10 and 30 years lost respectively -3 basis points to 1.63% and -6 basis points to 1.96%. The prices of oil and gold were broadly flat, but the trade-weighted dollar continued to climb, adding +0.2% especially against the euro and the yen.

There was however no shortage of potentially market moving news. Starting with economic data, the second print of US Q3 GDP growth was slightly lower than forecast at +2.1% annualized, with a steeper increase in its price index, up +5.9%, a level not seen in 3 decades. Personal income for October was slightly better than expected at +0.5% month on month, while the core PCE deflator, a measure of inflation, was inline at +0.4%. Consumer spending jumped +1.3% in October, showing that Americans are not that paralyzed by high inflation. The November sentiment indicator from the

University of Michigan was also marginally better than forecast at 67.4, which compares to 66.8 in October. Overall, numbers depict a solid economic recovery, with resilient consumption despite eye-watering inflation levels.

The minutes of the early November FOMC meeting were published, and the key takeaway was actually not a surprise: the Fed is open to flexibility when it comes to the pace of the taper process, as well as the rates target range, in case inflation continues to run higher. The Committee broadly confirmed their view that the inflation is transitory, even if they noted that it will last longer than initially thought. Finally, the paramount importance of the labor market and the evolution of labor force participation was stressed again. To summarize, there was no surprise, as the hawkish inflection had been very well communicated – and markets always like not being surprised.

We would highlight two other interesting news. First, the UAE and Turkey signed a string of cooperation agreements which includes the launch of a \$10 billion fund to support investments in strategic sectors such as energy, food and healthcare. It's obviously a good news to see the ties warming between the two countries, and the lira had its first positive session for some time, closing just below 12 for a dollar. In India, the government is finalizing a bill to regulate cryptocurrencies. The bill is said to considerably restrict private cryptocurrencies, potentially prohibiting them, while preparing a national digital currency run by the central bank. As the possibility of exceptions is also mentioned, the level of restrictions is not totally clear yet. The intention is to present the bill to parliament at the session starting next Monday.

As we write this morning, stocks are up in Japan, benefitting from a weaker yen against the dollar. They are flat in China and Hong-Kong, coming off their lows of the session as Beijing urged local governments to boost investments to support the economy. It's overall very quiet, as most of US markets are or will be closed for Thanksgiving. Today, we will get some speeches from ECB officials as well as the minutes of their latest meeting - it will be unsurprisingly between caution and optimism. We will look at Germany's consumer confidence and Q3 GDP. Stay safe.

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