



CIO OFFICE MORNING MARKET WRAP – May 26th, 2021. ALSO AVAILABLE ON ALEXA.

Volatility abated on Tuesday with contained price action in most of the assets we follow. Global stocks added 0.3% on average. Emerging Markets outperformed and US indices retreated at the end of the session, down -0.2% on the S&P500 and almost unchanged for the Nasdaq. Interest rates continued to creep lower: the US 10-year Treasury yield lost 4 basis points to 1.56%. The trade weighted dollar followed the same path, gently down. Lower rates and weaker dollar benefitted Gold, closing around \$1900 an ounce. The price of Brent crude oil added 0.3% to \$68.6. Our local markets continued to shine, adding 0.3% between Dubai and Abu Dhabi and comforting their top spot in the year-to-date rankings of emerging stocks.

To be frank, there were nothing really new to move markets. Fed officials continue to communicate with only minor nuances around a well-known script. Their goal seems to be dual: reinsuring about the fact that the accommodative stance is here for years, while at the same time preparing market participants to get some hints on the path to normalization in the coming meetings. That is exactly what vice-chairs Richard Clarida and Randal Quarles did yesterday in separate interviews: inflation is temporary, tapering will be discussed, but the Fed is firmly on the supporting side. Interestingly, both of them will see their terms ending in months and may be replaced at President Biden's discretion. On the geopolitical stage, the Israel-Gaza ceasefire holds, and Joe Biden will meet Vladimir Putin in Geneva on June 16th for the first time – the choice of a neutral place is quite telling about the state of their relations.

On the corporate side, Chinese phone maker Xiaomi was formally removed from the US blacklist, and Amazon is still expected to announce a purchase of MGM studios imminently. We didn't have major economic data yesterday: new home sales in the US came below expectations, as well as some minor indicators, which was probably a reason behind the soft close of US markets. On the other hand, Germany's IFO business climate index improved materially in May, now exceeding pre pandemic level thanks to the strength of the expectations component, especially in services.

As we write this morning, Asian markets follow the West in a gentle, low volatility morning session. Most stock indices are flat to slightly positive, with Hong Kong outperforming around +0.6%, Korea lagging with a benign -0.3%, and all others in between. Interest rates are also quiet, marginally up, one basis point for the 10-year. Gold is well oriented, trading at \$1905, which erases its year-to-date losses. The dollar is little changed. The crypto complex, to conclude with, keeps on healing: volatility remains at supernatural levels but this time in the green, with bitcoin approaching \$40k again.

There is again no major economic data to be expected today, but France May business and consumer confidence could be interesting to read to get a sense of how economic actors feel where the pandemic response hasn't been exemplary. Tomorrow will be richer with US personal consumption, initial jobless claims and of course the Core PCE for the first quarter.

Stay safe.

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