



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

Monday was positive on global markets with stocks gaining 0.4% in developed markets and 0.9% in emerging. The yield curve modestly steepened: US Treasury yields were down 2 basis points to 1.17% on the 5-year maturity, unchanged on the 10-year at 1.63%, and up 1 basis point on the 30-year to 2.08%. The price of Brent crude oil added another 0.4% to close just below \$86, and gold was stable around \$1800.

This week is all about corporate earnings, and Facebook delivered a tepid set of numbers for Q3, with both sales and forward-looking guidance being slightly short of consensus expectation, with Apple's new ad-tracking policy being mentioned as a cause. The number of active users was however better than expected and as the company increased their share buyback program, market participants decided to look at the future, and the stock price rose post market in extended trading. Tesla rallied after Hertz ordered 100,000 of their electric cars, which propelled Tesla value to \$1 trillion for the first time. Earnings remain the driving force behind the current rebound, with the proportion of US companies beating expectations being above 80% so far. Meanwhile in Washington, US democrats made progress on an agreement on Biden's multi-trillion dollar infrastructure which could start with the approval of a \$550 billion tranche this week. Geopolitical tensions also saw a bit of relief, with a de-escalation in the spat between Turkey and 10 countries: President Erdogan dropped his demand for the expulsion of ambassadors. Iran and the EU will hold talks in another attempt to revive the 2015 nuclear deal.

Finally, Janet Yellen exchanged views with China's Vice Premier Liu He on the economic situation with the clear intention to improve coordination between the two superpowers. In China however, another real estate developer, Modern Land China Co, missed a payment on a dollar bond: the stress is certainly not over for the sector.

As we write this morning, the morning session in Asia is mixed. On one hand, Japan rallies 1.7%, Korea and Australia are up, in sympathy with the good mood in the West. By contrast, Hong-Kong is down - 0.4% and Chinese domestic markets are unchanged. India just opens up 0.2%. Interest rates, as well as future contracts on Western stock indices and on oil are marginally up. Major crypto assets are also in demand, after Mastercard said it will include some crypto features to their offer to merchants.

Today will be dominated by corporate earnings, among which Twitter, Alphabet-Google, Microsoft and Visa in particular, as well as Novartis or UBS in Europe. The latter could be interesting as the world's leader of wealth management is facing disagreements on revenue sharing at their elite Global Family Office group. This comes after last week's announcement by JP Morgan's CEO to boost the compensation of their wealth management teams – will all the industry follow? This week will see earnings from the remaining big tech names such as Amazon, Apple and Samsung being released in the coming days.

Stay safe.

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