



CIO OFFICE MORNING MARKET WRAP – Wednesday January 27th, 2021. ALSO AVAILABLE ON ALEXA

Tuesday was slightly negative for financial markets. Global stocks fell 0.2% in developed regions and 0.7% in emerging. It is more uncertainty than pessimism: interest rates were steady, gaining 1 basis point to 1.03% for the US 10-year Treasury yield, and Oil was stable, around \$56 for the Brent crude oil. Uncertainty comes from the unclear timeline of the US fiscal stimulus plan, and from the rise of virus variants. Sadly, the total number of covid cases globally topped 100 million yesterday.

The news we would highlight are about macro and earnings. The IMF issued yesterday an update to their growth projections for 2021. We repeatedly said, with all due respect, that the IMF is pessimistic by construction but their numbers are a good starting point for the big picture. This time, the tone was positive: the Fund now sees 5.5% global real GDP growth for this year, higher than the 5.2% they projected in October. The largest contribution to this increase came from the US, from 3.1% to 5.1%

and India. Europe and some ASEAN countries are however revised down. 5.5% would be a great number in absolute, the best since at least 2007 when we were all talking about “super cycle”. We still tend to think that the reality could be better, under a scenario of successful vaccinations. Asia keeps on shining. After the positive surprise from China’s Q4 GDP last week, the same measure for Korea also exceeded expectations with +1.1% sequentially, or only -1.4% year on year. Industrial Production from Singapore and exports from Hong-Kong were also above expectations. Coming to corporate earnings, profits were upbeat for UBS, with a strong contribution from Wealth Management, and LVMH’s Q4 was also above expectations. In the US, all is well for semiconductors, with both Texas Instruments and AMD showing optimism. Microsoft sales, published post market, were simply excellent across all segments, from cloud computing to gaming. In the meantime, S&P put Shell, Exxon and other major oil companies on negative watch with regards to their credit rating, confirming their tendency to look backward, in our humble opinion.

As we write this morning, the session is not so good in Asia. Most equity indices are flat, in China, Hong-Kong and Korea, while Australia is down, catching up after a holiday. Nasdaq futures are however well oriented due to the strong numbers from Microsoft in particular. January remains extremely positive for risk assets, with stocks up 2.4% in developed markets but more impressively 7.6% in emerging markets, including Dubai and Abu Dhabi at respectively +8% and +10%.

Today Q4 earnings will continue and intensify with a trio of big tech names: Apple, Facebook and Tesla. Global leaders will continue to speak in the virtual Davos forum. On the economic data front, we will get consumer confidence in France and Germany. Finally and importantly, the Fed holds their monthly FOMC today. Chairman Powell will speak at 11.30PM Dubai time, and he’s expected to reassure investors about the length of the current extraordinary support. Stay safe.

MAURICE GRAVIER
Chief Investment Officer
Wealth Management
Emirates NBD

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