Global stocks added 0.1% in developed markets and slipped -0.2% in emerging regions on Tuesday. UAE indices were flat in Dubai and up 0.9% in Abu Dhabi. Interest rates modestly fell, with the US 10-year Treasury yield losing 2 basis points to 1.61%. Meanwhile, the price of Brent crude oil added 0.2% to $86.1, gold dipped below $1800, and the trade-weighted dollar was firmer, especially against the euro.

News are dominated by corporate results, and big tech made headlines with strong results from Microsoft and Alphabet, both beating expectations. Quarterly sales for Google parent reached an astonishing $53.6bn, which signals a clear strength in global advertising spending. By comparison, revenues in Q3-2020 were $38bn, and the pre pandemic Q3-2019 was at $33bn. Interestingly, results were disappointing from both YouTube and cloud computing units, where competition is obviously much fiercer than in pure internet search. Market reaction was positive for Microsoft but unenthusiastic for Alphabet, while Twitter reported sales in line with estimates but is still struggling with bottom-line. In other results, highly cyclical groups such as UPS and GE both topped estimates while Visa warned that some areas of consumer spending are still affected by international travel restrictions. Overall, aggregated numbers were very solid, but market participants are clearly looking into details to form their view on the future trajectory: when sentiment is in the driver’s seat, volatility is always around the corner. Still, the US S&P 500 printed another all-time high yesterday. Supply glut is obviously a key concern, and to that extent, the monthly measure of average delivery time for semiconductors provided some
hope: the October number widened at the smallest pace so far in 2021. However, the average delay between order and delivery remains at a record 22 weeks.

As we write this morning, most stock markets are down in Asia. There is a very interesting move from Chinese authorities with regards to the Evergrande meltdown. According to an anonymous but credible source, they urged the company’s chairman and founder Mr Hui to use his own personal wealth to contribute paying Evergrande’s mountain of debt. International market participants don’t take it that well as it is seen as a reluctance from the government to implement a direct bail-out. However, we could also see this as a fair action, and not just a political posture following the “common prosperity” doctrine. The management bears an obvious responsibility in the company’s situation, and at a time when the debt crisis spreads to other developers, this could make other moguls think twice before treating their creditors lightly. Governance is all about responsibility. Still, stock indices are down around -1.5% in both Hong Kong and domestic China, also pressured by another bit of tension from the US: China Telecom’s license to operate in the US was cancelled yesterday, and a US official called for a greater role at the UN for Taiwan. Stocks are also modestly down in Japan and Korea, and flat in Australia after the release of inflation numbers. Interest rates are slightly higher, and energy prices slightly down. Bitcoin is consolidating, approaching the $60,000 level.

Today will be light in terms of economic data, with some inflation measures in Europe and US durable good orders. The focus remains on corporate earnings with a very American combo of Coca-Cola, Kraft Heinz and Mc Donald’s, as well as GSK, Heineken, BASF or Spotify, to name a few.

Stay safe.

MAURICE GRAVIER
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