



## **CIO OFFICE MORNING MARKET WRAP – 28th June, 2021. ALSO AVAILABLE ON ALEXA.**

This morning Asian markets are following last week's positive performance with Hong Kong equities up over a percent while domestic China indices are up, though more muted. Japan equities are trading flat and India's Sensex Index is slightly up. India cases are falling and the domestic economy is on a strong reopening trajectory, though international travel is still curtailed to quite some extent. China is lagging EM equity performance as the tightening of credit and crackdown on monopolistic practices in the digital payment space continues to weigh on its market. But last week's gains have turned China equities performance positive year to date and this trend could now start to see some legs.

UAE markets keep adding to an already strong performance with the Abu Dhabi Index up close to 2% yesterday and the Dubai Index gaining almost half a percent. Real estate stocks were in the lead. Oil prices remain supportive with Brent futures this morning at \$76.07 ahead of an OPEC+ meeting this week where a supply increase of 550,000 barrels a day is forecast to be announced. Demand is outstripping supply with road travel in economies that have reopened such as the US, almost back at pre pandemic levels.

With just a few trading days left for H1 we have seen strong equity returns with developed market equities total returns +13.3% and Emerging markets +7.7% year to date. UAE markets lead global returns this year with the MSCI UAE index up 27.6%. The 10 year Treasury yield which has seen a high of 1.74% in end March remains supportive for markets at 1.52%. Gold is steady at \$ 1780 much the same where it began the year.

Many global equity indices are trading near a record high, as worries about the Fed's hawkish tilt has lessened. Volatility has receded, with the VIX, at pre-pandemic levels. Whilst the strong year to date gains for equities specially developed markets and the resulting higher valuations are worrisome, a large part of the reopening is still ahead of us with pent up demand fueled by record savings. Capex is on the uptrend though geared towards tech hardware and software. In Q1 investment in computers, software and R&D accounted for 40% of total business investment in the U.S. i.e. over 5% of GDP. This is reflected in Apple and Microsoft at or near a USD 2 trillion market cap. Corporate profits are improving. Labour markets are seeing rising wages, again supportive of rising demand and fiscal support should continue. Last week's Eurozone PMIs were the highest since Jun '06 and manufacturing numbers globally have been encouraging. European growth is yet to peak and for the U.S. while Q2 may have been the peak growth quarter, it is still in a growth phase. Hence, we remain constructive on seeing further though muted returns from equity markets in H2. Emerging markets are expected to follow the developed market cap ex and growth cycle as their economies open up and the vaccination drive ramps up.

Whilst markets remain fundamental in the upticks across asset classes and sectors and regional performance, interest in meme stocks and crypto trading continues to get interest. Cryptocurrencies are seeing regulatory oversight increasing after the U.K. restricted an affiliate of crypto exchange Binance from doing business in the country. Bitcoin rose this morning, trading in the mid-\$30,000s range in Asia as did Ethereum trading up 7%, after seeing a period of losing their exponential year to date gains.

Stay safe.

**MAURICE GRAVIER**  
Chief Investment Officer  
Wealth Management  
Emirates NBD

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