



CIO OFFICE MORNING MARKET WRAP – 30th March, 2022. ALSO AVAILABLE ON ALEXA.

Russia-Ukraine negotiations yesterday were termed "constructive" and ignited hopes for an eventual resolution. Russia said it would reduce its military operations near Ukraine's capital, Kyiv. However visible action on de-escalation is still awaited. Global equities gained across the board between 1 to 2% from Asia to the U.S. Europe's Stoxx 600 index rose 1.7% with auto makers rising by almost 6% on expectations of easing of supply chain disruptions. European bank shares also rose on hopes that an end to the conflict would boost the eurozone's economic outlook. UAE markets gained led by the banks and real estate sector. The S&P 500 gained for a fourth day, closing above the 4,600 level for the first time since mid-January. All 11 industry groups rose, except for energy stocks following declines in oil prices. The Nasdaq Index was up +1.8%. The global tech sector which had sold off sharply is currently being boosted by heavy weight Apple which is now in a 2 week rally as is Amazon. We reiterate the distinction between quality and unprofitable tech.

This morning Asian markets barring Japan are trading up. Mainland China which is affected by COVID lockdowns and was an exception yesterday with a negative close has caught up with the CSI 300 up 2% this morning. However, expect market volatility to continue as the conflict is not yet over and supply chains remain constrained. A risk on day yesterday with safe haven gold falling for a second day to \$1915, but trading up a little this morning. Oil has Brent and WTI still trading above \$100 a barrel and had been trending lower, but this morning like gold is up as certainty on oil supply increase is awaited.

The Fed's accelerated monetary policy tightening remains in focus, as Treasury performance was mixed after a recent rally in yields. The 10 year is at 2.34% and the 2 year at 2.31% much in line. However yesterday two-year yields, which move in line with interest rate expectations, rose to 2.45% the highest level since March 2019. The 10-year yield, which moves with inflation and growth expectations, fell to 2.38%. After briefly inverting, the gap widened and the yield curve turned positive. However macro data indicates a recession is not in sight in the U.S. as home prices continue to rise, consumer confidence is up, job openings posted a record gap between jobs available and unemployed workers. The 20-city composite S&P CoreLogic Case-Shiller Home Price Index printed a 19.1% y/y gain in home prices in January. The Conference Board's Consumer Confidence Index went up to 107.2 in March from February's downwardly revised 105.7 level.

Stay safe.

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