



CIO OFFICE MORNING MARKET WRAP – 30th May, 2022.

We haven't written this on a Monday for long: last week was very positive for financial markets. After not less than 7 consecutive negative weekly returns, stocks gained +5.5% in developed markets, while the gain was a more modest +1% for emerging ones. Part of this divergence was due to the fact that Asian markets were closed when the US rallied on Friday, accelerating by +2.5% for the S&P500 and +3.3% for the Nasdaq. The fixed income asset class was also supported, with the US 10-year Treasury yield losing -5 basis points over the week to close at 2.74% and spreads tightening. Govies in developed markets gained +0.8%, quality credit +1.3%, emerging debt +1.7% and high yield +2.8%. Within alternatives, gains were more modest with +0.4% for gold, +0.3% for hedge funds but +4% for global REITS.

The big picture remains full of uncertainty and risks, however last week's flash PMIs also confirmed the impressive resilience of the global economy, excluding China and its zero-Covid policy. Of course, the coming months have no shortage of potential concerns, especially with an accelerated tightening from central banks. To that extent, the minutes of the last Fed's policy meeting were hawkish, but not increasingly hawkish, which was seen as a positive, especially as the PCE deflator, one of the Fed's preferred measure of inflation, slowed in April. Among the other interesting data released on Friday, personal income in the US gained +0.4% in April, which is a deceleration compared to the +0.5% of March. Spending however remained vigorous, up +0.9%. Meanwhile, the UK announced a fiscal package to help consumers with

the purchasing power squeeze from high energy prices in particular. The package is targeted for the low-income household, which looks relevant in a fight against the risk of a recession.

As we write this morning, Asian markets are unanimously in the green, relaying last week's rally on Western markets but also supported by the latest covid numbers from China. Infections in Beijing dropped from 21 on Saturday to 12 on Sunday, and in Shanghai, from 122 to 67. The total number of new cases reported across the country on Sunday was the lowest in almost 2 months. This morning, stocks are up +2% in Hong-Kong and Tokyo, followed by Korea and China onshore markets at +1%. Future contracts on Western stock indices are also well oriented, and so is oil, with the price of Brent crude trading at \$120. Major cryptocurrencies also benefit from the "risk-on" move with bitcoin firmly above \$30,000 and ether approaching \$1,900.

US markets will importantly be closed today for Memorial day. The week ahead will provide the usual massive set of monthly data, starting with PMI and ISM and ending with the US job report on Friday, as well as monthly consumer price index for the Eurozone. In addition, the Fed should start unwinding their balance sheet from Wednesday.

Stay safe.

Chief Investment Office
Wealth Management,
Emirates NBD.

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