



CIO OFFICE MORNING MARKET WRAP – 30th September, 2021. ALSO AVAILABLE ON ALEXA.

The last day of the quarter and even with the recent pullback, global equities are up 12% year to date and the S&P 500 +17%, numbers we expected for the full year. UAE markets lead global returns with year to date gains of 60% for the Abu Dhabi Index. And finally the much awaited Expo2020 opens tomorrow with a grand pre-opening ceremony tonight. Emerging markets at -1% and -16% for the MSCI China have been disappointing year to date. We have an overweight stance on equities, with a higher overweight to developed markets, but reiterate the continued volatility and muted returns into year end. A bit of volatility this week in all markets can be attributed to the US debt ceiling, tightening monetary policy, China regulatory and real estate debt concerns and inflation above target levels though assurance from central bankers continues on it being transitory and corporate profit margins are still not affected. Supply chain issues have not got better though economies have opened up rather the reverse, as the increase in demand has led to shipping jams, increase in freight costs and shortage of key supply components. The Fed Chairs warning that inflationary supply chain snags may persist was echoed by EU, Japan and UK central bank heads at an ECB sponsored forum. Energy and gas prices continue to trade at multiyear year highs.

After the 2% drop on Tuesday the S&P 500 Index managed to close just in the green yesterday with the Nasdaq slightly negative, helped by a stabilization in yields with the 10 year at 1.51% and oil holding steady with Brent at \$78/ barrel. Gold down at \$1733 and the US dollar stronger.

According to an OPEC document being reviewed by its Joint Technical Committee, the supply deficit for 2021 should be 1.1 million barrels a day before returning to a surplus in 2022. The U.S. debt ceiling stalemate continues, though the Senate is expected to propose a stopgap funding measure until December to avoid a government shutdown. This week all global sectors barring energy are down.

European equities had a good day +1%, as did Asian markets both the Indian Sensex, and the Hang Seng Index. UAE markets were very slightly changed, with no major movements. China markets this morning are mixed with the domestic China Shanghai Composite Index trading up and the Hang Seng at -1%. More regulatory constraints pulling down China tech stocks. Also Japan's Government Pension Investment Fund will exclude renminbi-denominated Chinese sovereign bonds from its \$1.73tn portfolio, stating liquidity concerns. China's official manufacturing PMI was weaker than expected in September, dipping to 49.6. The services measure beat consensus, rising to 53.2 versus the forecast of 49.8. The Caixin manufacturing PMI, a private gauge of output, rebounded to 50 from 49.2 in August. with holiday spending and Covid containment probably helping. Of concern is China facing a widespread power shortage and 20 provinces have restricted electricity use in September, curbing factory production. This could further affect global supply chains.

Japan markets which fell 2% yesterday, continue to lose ground from their peak in mid-September. The Nikkei is -0.7% this morning. 64 year old Fumio Kishida is to be the next prime minister post a tightly contested race yesterday with faith in the old guard dominating over the younger cohort. Kishida is expected to bring policy continuity and predictability: a close alliance with the US, continued defence spending and aggressive monetary and fiscal stimulus. Japan's industrial production dropped 3.2% month on month in August, with declines in auto and electronics manufacturing. Retail sales also fell more than consensus, dropping 4.1% month on month.

Stay safe.

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