



CIO OFFICE MORNING MARKET WRAP – Tuesday November 30, 2021. ALSO AVAILABLE ON ALEXA

Most global equity indices traded up yesterday, barring Hong Kong and Japan, after Friday's rout, following news of the discovery of the Omicron coronavirus variant in South Africa. Asia markets this morning have the Hang Seng Index trading down a percent and Japan equities up. Mainland China is flat. Oil prices though not fully recovering the 11% Friday drop have rebounded and Brent futures this morning are at \$74/ barrel. JP Morgan's outlook on oil which was much in the news yesterday, talks of under investment and an estimate of oil to overshoot to \$125/ barrel in 2022 and \$150/ barrel in 2023, though yearly averages are expected to be in the 80's. The UAE had both Dubai and Abu Dhabi markets gain yesterday with a broad-based rally. The KSA market was flat but capital issuance continues to be received well and the Tadawul exchange IPO priced at the top of the range and was 121 times oversubscribed, as per Bloomberg reports. Crypto currencies Bitcoin and Ether are following the market, rising and gaining in line with global equity movements.

U.S. equities finished the second-to-last trading day of a volatile November higher. President Biden indicated that the need for lockdowns was currently not required and Treasury Secretary Yellen also said the economy was not going to be derailed. Fed Chair Powell said Omicron poses risks to both sides of the central bank's mandate for stable prices and maximum employment and speculation continues that the new virus strain could delay interest-rate increases. Swap markets signal about two quarter-point Fed hikes for 2022, down from the three seen before Omicron flared up. The S&P 500 gained 1.3% yesterday taking year to date gains to over 25%, with the Nasdaq gaining similarly. Growth-oriented sectors Technology and Consumer Discretionary led, with all S&P sectors posting gains. Alphabet (Google), Apple, Tesla, Amazon and Microsoft were major contributors to yesterday's Index gains. Financials were up as Treasury yields gained following last week's drop. However, this morning the 10 year Treasury yield is at 1.50%, 13 bps below Thursday's 1.63%. On the economic front, pending U.S. home sales were up though some regional manufacturing activity cooled, but remained expansionary. Reopening stocks such as restaurants, department store, leisure and transportation have been amongst the biggest decliners globally. The Bloomberg EMEA Airline Index is down 18% this month. Airlines face a return to the uncertainty of mobility restrictions and increased testing (the U.K. has reintroduced tests on arrival).

The global risk from the new Omicron coronavirus variant is very high, the WHO said, though reports that emerged from South Africa over the weekend suggest that the disease produced milder symptoms although scientists have stressed it is too early to tell. Economists generally expect the world economy to weather any fresh wave of coronavirus infections caused by the Omicron variant easily as Central banks would step in with fiscal boosts and monetary policy tightening would get staggered. On a global stock market perspective, policymaker and consumer responses will be key regarding the economic impact. Market volatility is unsettling, but historically not unusual, and a diversified portfolio with relevant risk tolerance, should weather any temporary pullbacks. And not affect medium to long-term investing returns. However, markets are expected be volatile near term as countries increasingly introduce mobility restrictions. We remain cognizant of risks but constructive and encourage investors to focus on quality companies from a bottom up approach and follow our asset allocation models from a top down approach to balance risk and returns.

Vaccine makers have been quick on working on vaccines for the Omicron variant. Moderna CEO is hopeful of a modified vaccine available in early 2022, dependent on FDA approval and current vaccines (including other manufacturers) efficacy he says is based on antibody levels, which will take a few weeks to ascertain by health authorities. Moderna is the highest Index contributor to the S&P 500 in 2021 with the

stock up 252% YTD. Pfizer is hopeful of a similar outcome for a modified vaccine though a bit longer on the time frame.

Some key events to watch this week: Fed Chair Powell will appear at a Senate Banking Committee hearing alongside Treasury Secretary Yellen today. They're set to speak again tomorrow at the House Financial Services Committee. Euro zone CPI, Tuesday. China Caixin and euro zone manufacturing PMI, Wednesday, U.S. construction spending, ISM Manufacturing, Fed's Beige Book on Wednesday, OPEC, allies may re-evaluate plans for reviving oil supplies, Thursday and U.S. jobs report, factory orders, durable goods on Friday.

Happy 50th UAE National Day. There will be no further daily this week and the CIO Office will resume the daily on Sunday 5th December. Stay safe.

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