



## CIO OFFICE MORNING MARKET WRAP – 31st October, 2021. ALSO AVAILABLE ON ALEXA.

Global markets had a good week and a good month. Developed Markets added to their year-to-date gains and were up 5.7%, with emerging markets up 1% in October. US indices closed at record highs on Friday, with the S&P 500 and Nasdaq indices adding over 7% in October. The U.S. markets are showing resiliency in the face of disappointing earnings from Apple and Amazon that exposed how wide the labor, supply, and inflation issues are. Q3 earnings season has overall been stronger than expected. Global market's strong performance also marks a sharp reversal from September when stocks fell as fears about inflation and China's property market flared. Emerging markets had a mixed October with China stocks gaining 3%, with the UAE and India flat in local currency terms. China was boosted by the Evergrande debt payment, a big PBOC liquidity injection and downward coal prices. Brazilian markets were the only noteworthy laggard in October down 7%, as interest rates continue to rise and on a worsening outlook for economic growth.

Oil is lower on the week with Brent at \$83.7 and the gold spot price fell to \$1,784 while the Dollar strengthened against a basket of 6 currencies. Focus on curve flattening moves was evident as concerns grow about how more persistent inflation could pressure central banks to accelerate policy shifts. The US 10-year Treasury yield fell to 1.55% while the 2-year rose to 0.5%. Bitcoin is trading at 61,600 and Ether is close to its record high, both gaining close to 45% in October.

Companies globally remain in an accelerated growth phase. For the 48% European companies that have reported 3Q Revenue Growth is 14.8% and EPS Growth 38.4% y/y. For the US S&P 500, the 52% that have reported so far, Revenue Growth is 15% and EPS Growth 33.5% y/y. U.S. corporate results continue to largely surprise except that the effect of supply chain limitations for Apple had revenues undershoot forecasts though net profit beat with a components shortage that cost it \$6bn last quarter. Amazon margins were impacted by labour costs (\$ 2bn higher) and both shares fell on Friday. Microsoft is now the most valuable company in the world. Tesla joined the trillion-dollar club, the 6th company, to be in the coveted league. The market is looking “beyond” and Facebook shares gained with the name change to “Meta”. These 5 along with Alphabet comprise 13% of the MSCI AC World Index, hence their performance directs not only the S&P 500 but global equity performance.

Eco releases on Friday from the U.S. Commerce Department showed the personal-consumption-expenditures price index, rose 4.4% in September from the previous year, the fastest pace since 1991, with the core reading staying at 3.6%. Consumer spending grew more slowly in September with growth of 0.6% marking a slowdown from 1% in August. Euro area GDP rose 2.2% in Q3 and inflation was at 4.1%, largely up on energy prices. Markets have brought forward the timing of an ECB rate hike.

At the G-20 meeting in Rome, leaders formally endorsed an agreement to overhaul global tax rules, the U.S. to reduce tariffs on European steel and other topics could include tapering, regulation and vaccine availability. China’s premier will attend via a video link. The UN climate change summit will begin in Glasgow today and will center on getting countries to commit to stronger targets to reduce greenhouse-gas emissions.

Stay safe.

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