



## CIO OFFICE MORNING MARKET WRAP

04 December 2024

November was volatile but ended in the green for all asset classes, except two. Gold fell -3.7% but remained the leader of 2024, while stocks from emerging markets lost -3.6%, with a strengthening US dollar affecting both. US Treasury yields went through a roller coaster but the long dated ones ended November -10 bps lower. Stocks from developed markets were the star of the month, led by the S&P 500's stellar 6% gain. December starts with more differentiation. Global equities are up +0.5% in developed markets, led by non-US regions, while emerging markets add +1.7%. US Treasury yields are on the rise again, pressuring both real estate and bonds, and supporting the dollar's strength.

This week is rich in terms of data and political events. Starting with the former, manufacturing PMIs for November indicated continued contraction in Europe, a modest improvement in China, and a good surprise in the US, where the ISM manufacturing jumped from 46.5 to 48.4, clearly above the median forecast of 47.5. Monthly job openings in America also exceeded expectations, up 5% according to yesterday's JOLTS report. This could have lowered further the implied probability of a rate cut in December, but Fed officials are pushing back, including Waller and Daly yesterday, who both reiterated that they see the current levels as too restrictive. Finally, political surprises took place on several continents. In the US, the public opinion is shocked by President Biden's decision to pardon his son Hunter, breaking his former commitment. In France, a no-confidence motion could find enough support from lawmakers to pass, collapsing the government and pushing the country in unknown political territory, at a time when its snowballing public debt already raises concerns. Finally, South Korean President stunned the nation and the world by unexpectedly declaring martial law yesterday. The opposition reacted by putting forward an impeachment motion, and last night, the President indicated that he would end the martial law.

### **Markets this morning:**

Stocks are overall lower in Asia as we write this morning. Korea unsurprisingly underperforms with political chaos taking a -2% toll, despite the central bank trying to support with an liquidity pledge. Both Hong-Kong and onshore China are down -0.4%, while the Nikkei does slightly better at -0.3%. Japan's PMI Service was encouraging at 50.5, but the same measure for China showed a deterioration, from 52 to 51.5, missing the median forecast of 52.4. US Treasury yields are stable in Tokyo trading at 4.17 for the 2-year, 4.11 for the 5-year and 4.22 for the 10-year. Both gold and Brent are also unchanged at respectively \$2,644 and \$73.6.

### **Upcoming Key events/data:**

Today will provide PMI Services for most major regions, starting with India, followed by the Eurozone and UK, and concluding with the US tonight. We will also listen to speeches from many central banks officials including their chairpersons: BoE's Bailey, ECB's Lagarde and Fed's Powell. The Fed's beige book will also be released. Thursday is quieter, with the usual weekly jobless claims, while Friday will be all about the always important monthly US job report. With the reversal of last month's negative impact from strikes and hurricanes, the median forecast is very high at 218k job creations.

Chief Investment Office  
Wealth Management,  
Emirates NBD.

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