



CIO OFFICE MORNING MARKET WRAP

6 December 2024

Thursday was, as expected, quiet on global markets, with both global stocks and global bonds being pretty much unchanged. Within equities, the US and China closed lower while India and the GCC outperformed. The dollar gave back -0.6% against trade-weighted counterparts, with the yen strengthening. This didn't support gold, down -0.7% to \$2,630.

With regards to economic data, October retail sales in the Eurozone were disappointing -again, with a -0.5% month-on-month drop. Europe is the weak spot in the global picture, as also confirmed by poor industry data in Germany and tepid industrial production in France. In the US, the trade deficit for October was lower than forecast, and weekly jobless claims were slightly higher. Implied probability for a December Fed cut now stands at 70%, ahead of tonight's job report. Political uncertainty continues. In France, President Macron addressed the nation to basically blame the "non republican parties" for the censor of the government, and express that he has no intention to resign. An impeachment motion will also be submitted to vote in South Korea, and probably not pass. A second attempt at martial law has been rumored, and denied. Meanwhile, President-elect Trump continues to nominate key members of his administration, the latest being David Sacks, a venture capitalist, to advise the White House on AI and crypto, and David Perdue as ambassador to China. Mr Perdue, former senator, is also a businessman turned politician, who was interestingly CEO of low-cost retailer Dollar General and should thus have a well-informed view on the inflationary impact of trade tariffs on US consumers.

Markets this morning:

Asian markets are differentiated as we write this morning. Stocks are down -0.9% in Japan due to a strengthening yen after base salaries rose more than expected, which supports more action from the BoE. Korea is also in the red due to political uncertainty, but stocks are up around +1.5% in both onshore China and Hong-Kong. US Treasury yields are stable in Tokyo trading: the 2-year is at 4.15%, the 5-year at 4.08% and the 10-year at 4.17%. An ounce of gold trades for \$2,638, a barrel of Brent is worth \$72 and the price of a bitcoin is back to 5 digits at \$97,500.

Upcoming Key events/data:

Today we will look at the S&P Global PMI for both the UAE and Dubai and at the final Q3 GDP for the Eurozone, but not much should happen on markets before the US job report at 5.30PM Dubai time. The median forecast for the change in non-farm payrolls has risen to 220k, which, if we had to bet, looks a bit elevated. It's reasonable to think that only a big surprise would materially move markets, especially if it's on the upside: expectations for a December cut would be cemented by a number below 150 but seriously questioned around or above 300k. The other important items of the report are the hourly earnings, expected to rise by 0.3% month-on-month, and the unemployment rate, probably stable at 4.1%. Finally, the Sentiment indicator from the University of Michigan may indicate whether there is a "Trump effect" already.

Have a good weekend!

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