

# Market Insights & Strategy

Please click [here](#) to view our recent publications on MENA and Global Markets

*Your attention is drawn to the important notice on the final page of this communication*



**Simon Ballard**  
Chief Economist

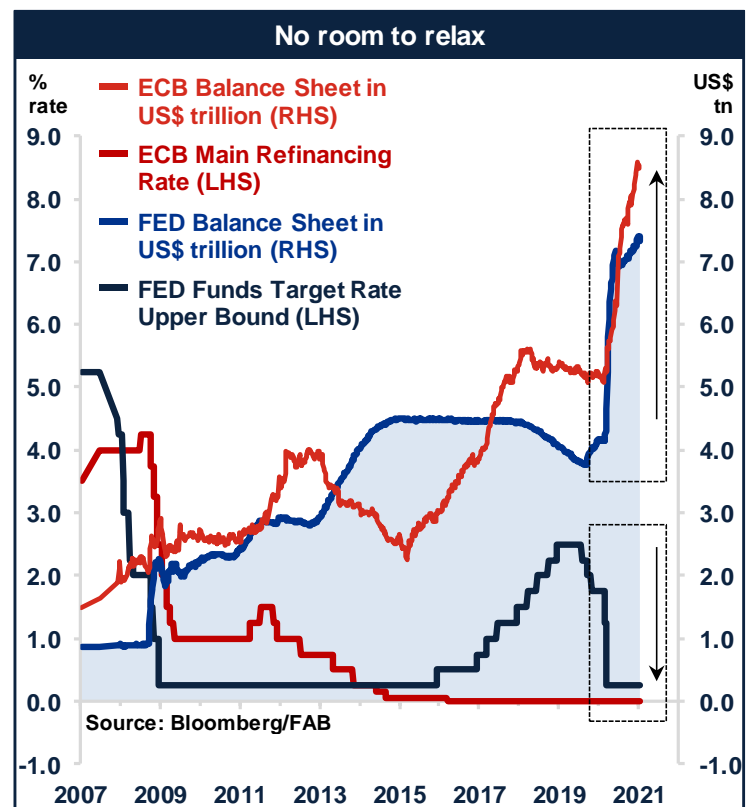
## Dissecting Digital Davos

- Davos goes digital with emphasis on stimulus
- This is a 'crucial year to rebuild trust'
- Xi and Putin put the spotlight on multilateral co-operation
- Exhausted monetary policy leaves fiscal to take the reins

The 51st World Economic Forum (WEF) that is taking place in Davos, Switzerland this week is a very different affair to prior years. As a result of the pandemic, the 'in person' event has been postponed until the end of May for now, meaning that the current symposium is taking place as a 'virtual' event. Much less of a 'jolly' for some, the great and the good will now have to rub shoulders over the internet rather than on the ski slopes.

Over the first few days of the Forum, there has been one clear message coming through the speeches and addresses; that the global economy remains fragile and social strains remain precarious, meaning that this is no time for policymakers to relax stimulus measures. Indeed, authorities recognise that economic recovery in 2021 will require continued fiscal and monetary support, albeit that with interest rates already slashed toward zero - or into negative territory with regard to the ECB deposit rate - it is clear that central banks are running short of monetary ideas. Fiscal policy will clearly have to play the dominant role in the months ahead.

The WEF event is still said have attracted some 1,200-plus delegates from 60 countries, all of whom will be keen to debate possible exit strategies from the Covid-19 pandemic of the past 12 months. The

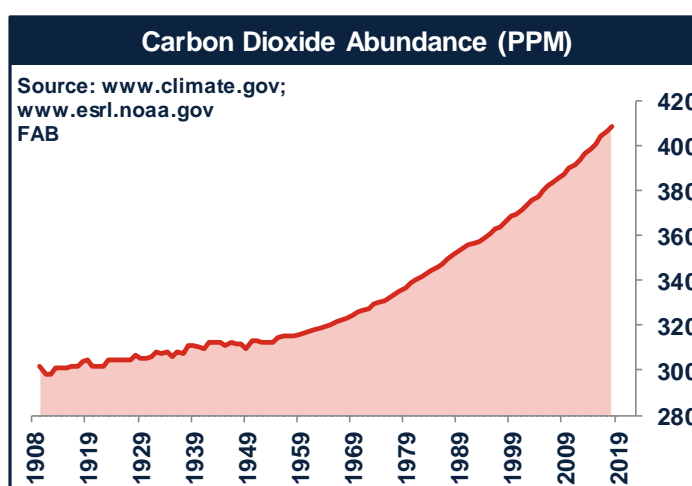
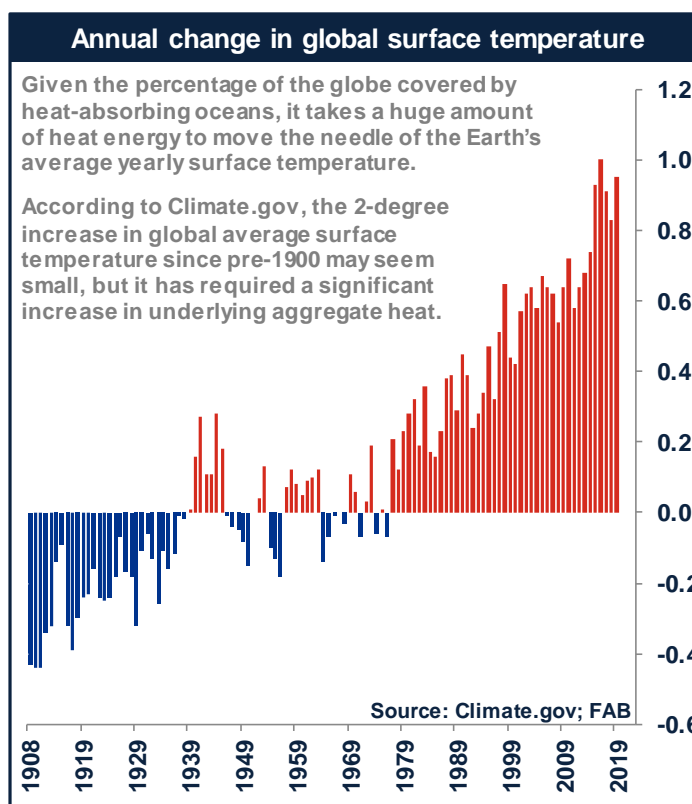


advertised theme of the forum this year is “A crucial year to rebuild trust”, which seems to follow on neatly from the “great reset” title that the event introduced last year. This week’s forum is advertised as having 5 main streams; resilient economic systems, responsible growth and environmental management, as well as emerging technologies and advancing global co-operation.

However, we believe that the main focus of attendees will be, first and foremost, on tackling Covid-19 and then secondly, addressing climate change. The week certainly started in this regard, with Chinese President Xi Jinping deliver a keynote speech on Monday which focused on both these issues and how multilateral co-operation could be the answer to resolving them.

Perhaps one of the most hotly anticipated addresses of the Forum this year, after that of President Xi, was the speech by Russian President Vladimir Putin on Wednesday. This was the Russian president’s first address to the WEF in 12 years. Putin was singing off the same ‘co-ordinated policy’ hymn sheet, as he warned of the risk of the global economy edging toward an ‘all against all’ conflict as a result of the tensions and economic strains and inequality created by the pandemic.

The ongoing need for global stimulus co-ordination has been the key takeaway so far from Davos. Indeed, the one clear message coming through the speeches and addresses is that this is no time to relax stimulus measures. Indeed, authorities recognise that economic recovery in 2021 will require continued fiscal and monetary support, albeit that with interest rates already slashed toward zero - or into negative territory with regard to the ECB deposit rate - it is clear that central banks are running short of monetary policy solutions to the economic impact of the pandemic. As such, fiscal policy will clearly have play the dominant role in the months ahead.



On the topic of global warming and climate change, a session on Wednesday dedicated to the subject and entitled ‘Mobilizing Action of Climate Change’ saw Chinese Minister of Ecology and Environment Huang Runqiu arguing for a united front in tackling the climate crisis. This will become an increasingly pressing debate over the coming months and years, which we believe will also be a topic that increasingly drives and favours ‘sustainable’ investment strategies.

In light of the WEF and this week’s FOMC rhetoric, perceptions surrounding Covid-19 and the global economic outlook are clearly still fragile, suggesting that the Fed and other central banks will need to stay firmly in fire-fighting mode until there is clear evidence of sustainable recovery from the pandemic-driven recession. In his address to the WEF, South Korean President Moon Jae-in stated that ‘the economy is

recovering, but the polarizations and inequities brought by the pandemic are growing even bigger. As COVID-19 is becoming more prolonged, inequality is widening a gap that we are witnessing both within countries and between countries'. Again, the subliminal message is that policymakers still need to do more.

However, while such an accommodative bias has helped to buoy risk appetite in the hunt for yield over recent months, we have noticed a tangible shift in investor perception over recent sessions. An element of doubt with regard to the fundamental justification of record-high risk asset (equity market) valuations has begun to creep into the market complex. This is not capitulation on the part of investors, but rather a short-term correction that we would interpret as natural and healthy given the inherent uncertainties in the global macro outlook. The WEF runs until tomorrow (Friday January 29).

**Simon Ballard**  
**Chief Economist**  
**Market Insight & Strategy**  
**FAB Global Markets**

Please click [here](#) to view our recent publications on MENA and Global Markets

**Important Notice:** This communication has been prepared by individual personnel of First Abu Dhabi Bank PJSC or its affiliates (collectively, "FAB") and, accordingly, it may not represent the views of FAB. FAB is licensed and regulated by the Central Bank of the United Arab Emirates and its registered office address is P.O. Box 6316, 1 – Al Qurm, Abu Dhabi, the United Arab Emirates. This communication is directed at persons (i) who have been or can be classified by FAB as eligible counterparties, professional clients or sophisticated investors, (ii) who have experience in matters relating to investments and (iii) other persons to whom it may otherwise lawfully be communicated. No other person should review the contents or access the products or transactions discussed in this communication. All material contained herein, including any proposed terms and conditions, is indicative and for discussion purposes only, is subject to change without notice, is strictly confidential, may not be reproduced and is intended for your consideration only. It does not include a number of terms and conditions that will be included in any actual transaction and final terms and conditions are subject to further discussion and negotiation nor does it purport to identify all applicable risks. This communication is not a commitment to deal in any product, offer financing or enter into any transaction described herein. FAB is not acting as your agent, fiduciary or investment adviser and is not managing your account. The provision of information in this communication is not based on your individual circumstances and must not be relied upon as an assessment of suitability for you of a particular product or transaction. It does not constitute investment advice and FAB makes no recommendation as to the suitability of any of the products or transactions mentioned. Even if FAB possesses information as to your objectives in relation to any transaction, series of transactions or trading strategy, this is not sufficient for, and does not constitute, any assessment of suitability for you of any transaction, series of transactions or trading strategy. Save in those jurisdictions where it is not permissible to make such a statement, FAB hereby informs you that this communication should not be considered as a solicitation or offer to sell or purchase any securities, deal in any product or enter into any transaction. You should make any trading or investment decisions in reliance on your own analysis and judgment and/or that of your independent advisors and not in reliance on FAB and any decision whether or not to adopt any strategy or engage in any transaction will not be FAB's responsibility. FAB does not provide investment, accounting, tax, financial, legal, regulatory or other advice; such matters as well as the suitability of a potential transaction or product or investment should be discussed with your independent advisors. Prior to dealing in any product or entering into any transaction, you and the senior management in your organization should determine, without reliance on FAB, (i) the economic risks or merits, as well as the investment, accounting, tax, financial, legal and regulatory characteristics and consequences of dealing with any product or entering into the transaction (ii) that you are able to assume these risks, (iii) that such product or transaction is appropriate for a person with your experience, investment goals, financial resources or any other relevant circumstance or consideration. Where you are acting as an adviser or agent, you should evaluate this communication in light of the circumstances applicable to your principal and the scope of your authority. Any prices used herein, unless otherwise specified, are indicative. Although all information has been obtained from, and is based upon sources believed to be reliable, it may be incomplete or condensed, it has not been verified by FAB and its accuracy cannot be guaranteed. FAB makes no representation or warranty, expressed or implied, as to the accuracy of the information, the reasonableness of any assumptions used in calculating any illustrative performance information or the accuracy (mathematical or otherwise) or validity of such information. Any opinions attributed to FAB constitute FAB's judgment as of the date of the relevant material and are subject to change without notice. Provision of information may cease at any time without reason or notice being given. Commissions and other costs relating to any dealing in any products or entering into any transactions referred to in this communication may not have been taken into consideration. Any scenario analysis or information generated from a model is for illustrative purposes only. Where the communication contains "forward-looking" information, such information may include, but is not limited to, projections, forecasts or estimates of cashflows, yields or return, scenario analyses and proposed or expected portfolio composition. Any forward-looking information is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which are specified herein or can be ascertained at this time). It does not represent actual termination or unwind prices that may be available to you or the actual performance of any products and neither does it present all possible outcomes or describe all factors that may affect the value of any applicable investment or product. Actual events or conditions are unlikely to be consistent with, and may differ significantly from, those assumed. FAB shall not be under an obligation to update any information contained in this communication. Illustrative performance results may be based on mathematical models that calculate those results by using inputs that are based on

assumptions about a variety of future conditions and events and not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results may vary and the variations may be substantial. The products or transactions identified in any of the illustrative calculations presented herein may therefore not perform as described and actual performance may differ, and may differ substantially, from those illustrated in this communication. When evaluating any forward looking information you should understand the assumptions used and, together with your independent advisors, consider whether they are appropriate for your purposes. You should also note that the models used in any analysis may be proprietary, making the results difficult or impossible for any third party to reproduce. This communication is not intended to predict any future events. Past performance is not indicative of future performance. FAB accepts no responsibility and makes no representation to you or to any third parties for, and has not independently verified, the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this communication and FAB shall not be liable for any special, direct, indirect, incidental or consequential loss or damage which may be sustained because of the use of the information contained and/or referred to in this communication or otherwise arising in connection with the information contained and/or referred to in this communication, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to FAB that may not be excluded or restricted. The transactions and any products described herein may be subject to fluctuations of their mark-to-market price or value and such fluctuations may, depending on the type of product or security and the financial environment, be substantial. Where a product or transaction provides for payments linked to or derived from prices or yields of, without limitation, one or more securities, other instruments, indices, rates, assets or foreign currencies, such provisions may result in negative fluctuations in the value of and amounts payable with respect to such product prior to or at redemption. You should consider the implications of such fluctuations with your independent advisers. The products or transactions referred to in this communication may be subject to the risk of loss of some or all of your investment, for instance (and the examples set out below are not exhaustive), as a result of fluctuations in price or value of the product or transaction or a lack of liquidity in the market or the risk that your counterparty or any guarantor fails to perform its obligations or, if this the product or transaction is linked to the credit of one or more entities, any change to the creditworthiness of the credit of any of those entities. FAB (whether through the individual sales and/trading personnel involved in the preparation or issuance of this communication or otherwise) may from time to time have long or short principal positions and/or actively trade, for its own account and those of its customers, by making markets to its clients, in products identical to or economically related to the products or transactions referred to in this communication. FAB may also undertake hedging transactions related to the initiation or termination of a product or transaction, that may adversely affect the market price, rate, index or other market factor(s) underlying the product or transaction and consequently its value. FAB may have an investment banking or other commercial relationship with and access to information from the issuer(s) of securities, products, or other interests underlying a product or transaction. FAB may also have potential conflicts of interest due to the present or future relationships between FAB and any asset underlying the product or transaction, any collateral manager, any reference obligations or any reference entity. Any decision to purchase any product or enter into any transaction referred to in this communication should be based upon the information contained in any associated offering document if one is available (including any risk factors or investment considerations mentioned therein) and/or the terms of any agreement. Any securities which are the subject of this communication have not been and will not be registered under the United States Securities Act of 1933 as amended (the Securities Act) or any United States securities law, and may not be offered or sold within the United States or to, or for the account or benefit of, any US person, except pursuant to an exemption from, or in a product or transaction, not subject to, the registration requirements of the Securities Act. This communication is not intended for distribution to, or to be used by, any person or entity in any jurisdiction or country which distribution or use would be contrary to law or regulation. FAB may process your personal data to provide you with information or promotional and advertising communications on products, services, other events and campaigns.

***If you wish not to receive email from the Market Insights team at FAB, please click [here](#) to send us your request to unsubscribe, and you shall no longer receive such information.*** You can also let us know by contacting your usual FAB representative should you wish to no longer receive any such further information. You may be entitled according to the applicable laws to exercise your rights to access, to rectification, to erasure and to portability of your personal data, to restrict the use of and to object to the processing of your personal data. You may exercise any such aforesaid rights by sending your request to FAB at the following address: [privacy@bankfab.com](mailto:privacy@bankfab.com).