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THE FED MAY OFFER SOME CLARITY ON THE PATH AHEAD THIS WEEK

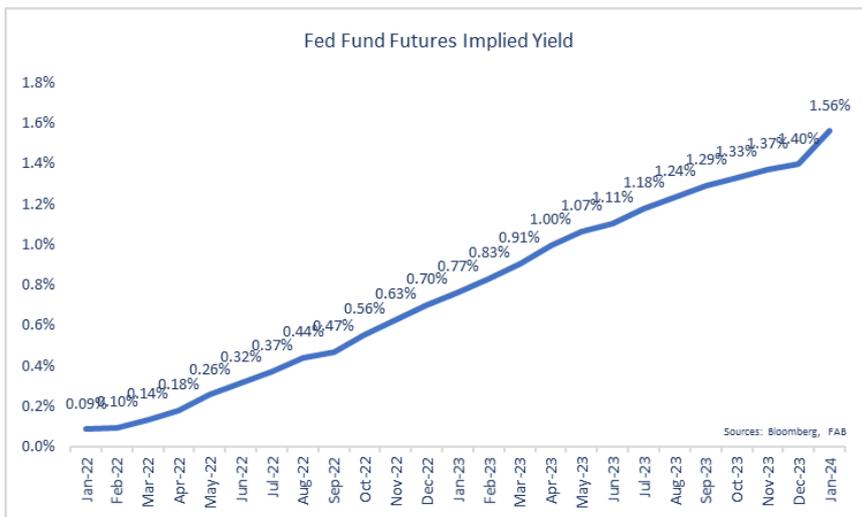
December 13th 2021

- US central bank is expected to announce an accelerated taper of asset purchases
- The Fed will also offer a glimpse of their expected path of rate hikes
- The FOMC meeting happens after the US reported the lowest jobless claims since 1969
- Still, the S&P continued to power ahead amid news the Omicron variant is not so deadly

As the year draws to a close, risk assets continue to power ahead, and on Friday the S&P 500 logged its 66th record close of 2021. Investors who saw through the wall of worries at the beginning of the year were handsomely rewarded, with some cyclical stocks delivering triple-digit returns. In fact, some MENA stock markets were among the best performing in the world.

However, this week the world will get a clearer picture of what the Federal Reserve plans for 2022. Depending on the direction it signals, some asset classes which have done well could be weighed down. Investors may also have to be pickier in an environment of tightening monetary policy. Yet, given the still strong growth, risk-takers are likely to continue to be rewarded.

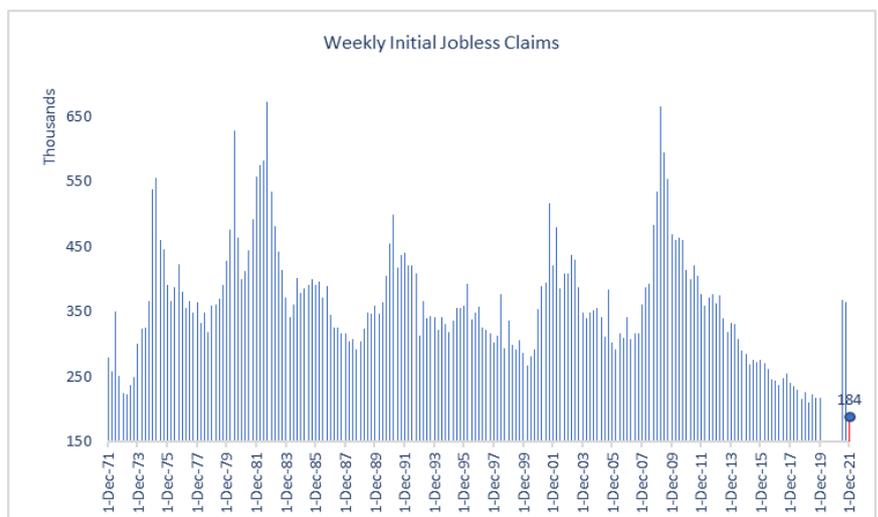
MARKETS ARE NOW PRICING THREE RATE HIKES NEXT YEAR, AND THE SAME IN 2023



- The implied yield on Fed fund futures suggests the market is pricing the first rate hike as early as May.
- The Fed is expected to announce this week that it will end its bond buying program as soon as March.
- Investors will scrutinize the Fed's quarterly economic forecasts for hints of where the bank sees inflation, employment and interest rates in the years ahead.
- The low liquidity of year-end trading, and a potential shift in the policy direction could cause some volatility.

THE FEWEST AMERICANS HAVE FILED FOR JOBLESS BENEFITS LAST WEEK SINCE 1969

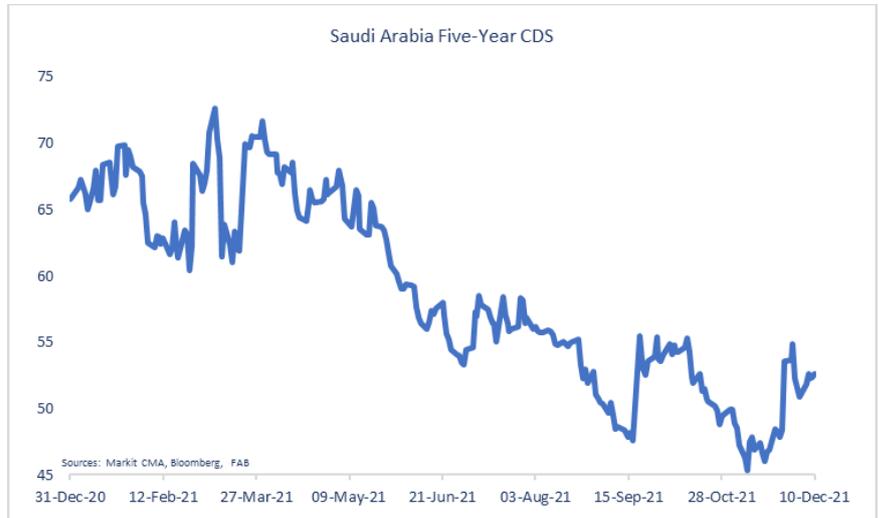
- The sudden drop in welfare requests suggests more people may be returning to the workforce.
- It could also signal the US is closer to full employment, which would allow the Fed to tighten monetary policy more aggressively next year.
- The drop, however, has also been accompanied by rising new business registrations, suggesting some people are starting companies instead of looking for new jobs.
- Investors (and the Fed) will watch out for revisions in the data next week.



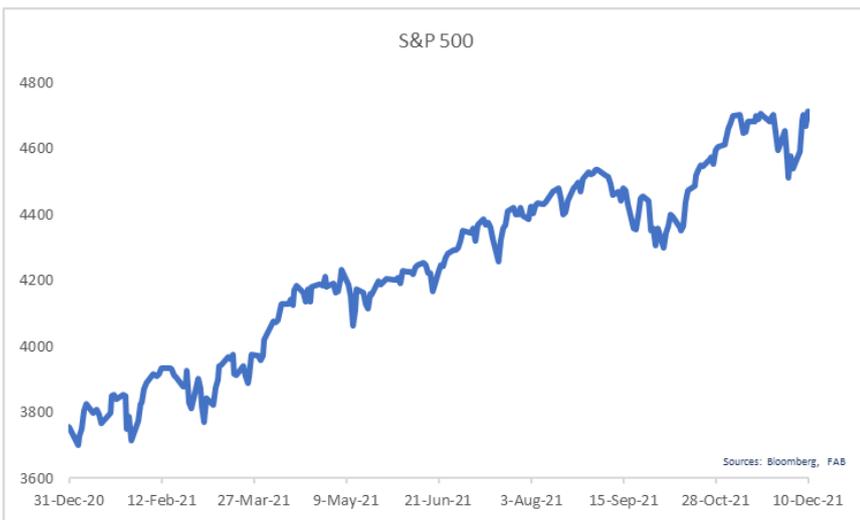


KSA IS REPORTING ITS FIRST FISCAL SURPLUS SINCE 2013, BUOYING ITS BOND PRICES

- Saudi Arabia is expected to report its first fiscal surplus since 2013 as higher taxes and crude prices, along with rising oil production this year boosted the nation's coffers.
- Markets have reacted by pushing bond prices up and the yield premium they pay over US Treasuries down.
- On November 9th, the five-year credit default swaps traded at an all-time low of 45 basis points.
- Premiums have increased since, more as a result of falling US Treasury yields in the past month.



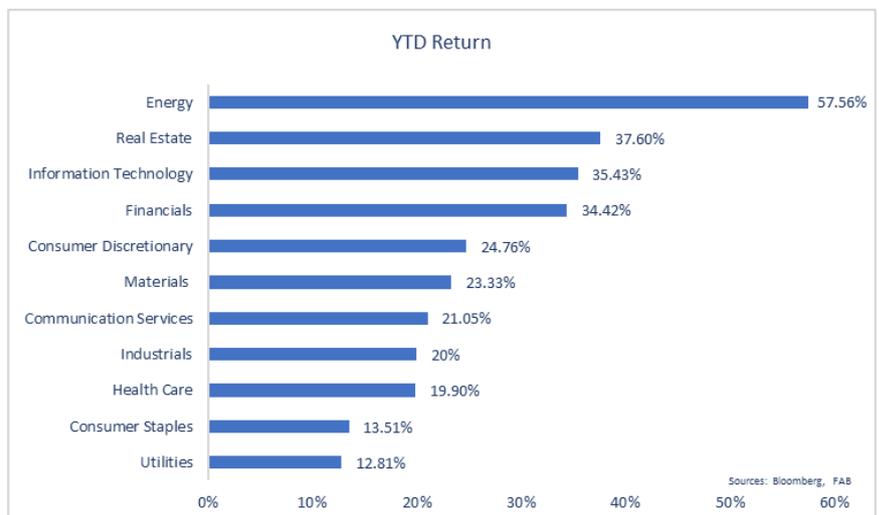
THE S&P 500 CLOSED AT A RECORD AS OMICRON IS PROVING LESS DEADLY



- Tech stocks helped the S&P 500 rise to a new record close of 4,712.02 on Friday as investors celebrated news that vaccines and medications have proven effective against the Omicron variant of COVID-19.
- The index logged 66 record closes this year as it climbed a wall of worry, and is up by 25.4% so far.
- Average expected earnings in the next 12 months, in the meantime, have increased nearly 34.3% in the same period, in a sign that analysts had started the year too bearish.

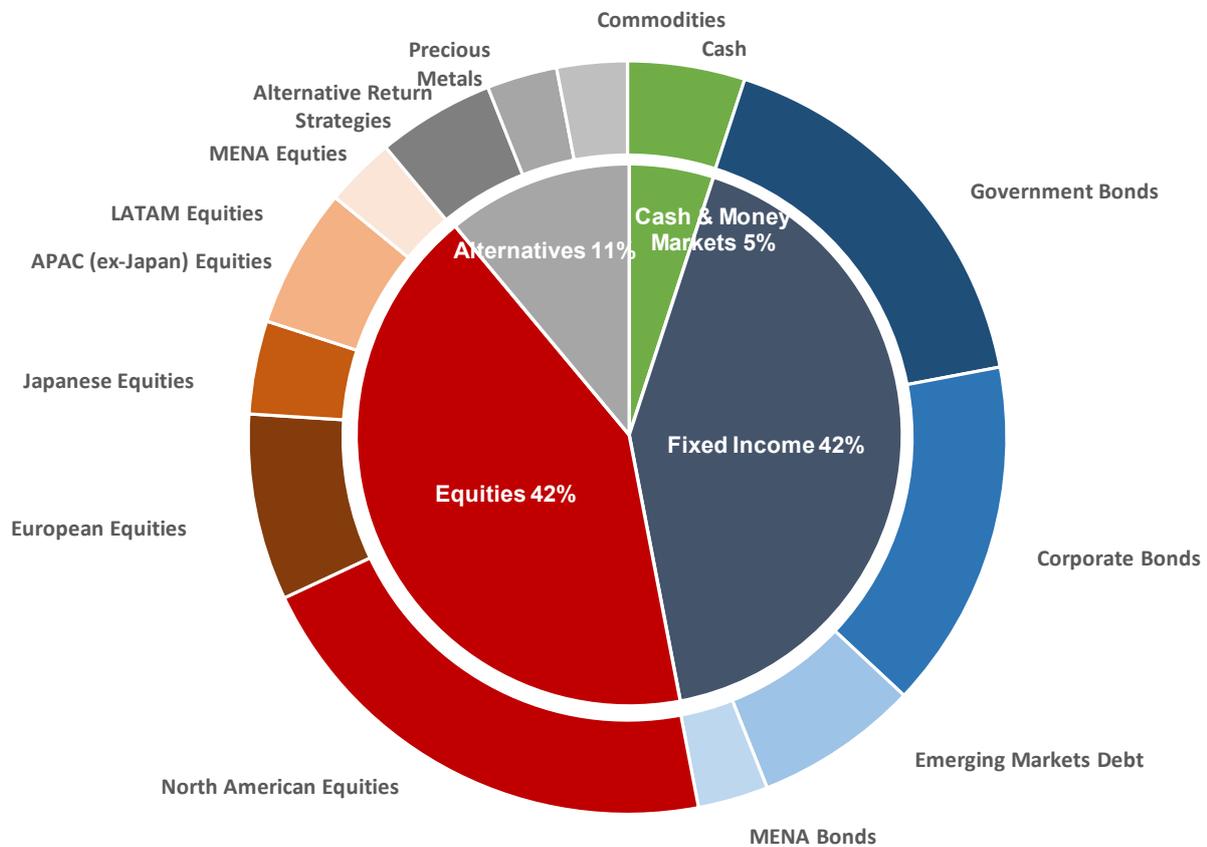
CYCLICAL SECTORS WERE AMONG THE BEST PERFORMERS THIS YEAR

- Energy company shares have rallied 57.56% this year to date in the US this year as Brent crude prices gained 45.08% in the period.
- Consumer staples and utilities, traditionally defensive stocks, were the worst performers, gaining 13.51% and 12.81% so far this year.
- The market seems to have rewarded investors that saw the possibility of a big bounce in global growth and how that would affect asset prices.
- Ultimately, risk appetite paid off, and should continue to in 2022.





Asset Class	Positioning	Detail
Cash	Underweight	Putting cash to work in risk assets.
Fixed Income	Overweight	Keeping a slight overweight focused on EM dollar debt.
Equities	Overweight	Slightly overweight in Asia ex-Japan and US markets.
Alternatives	Underweight	However, reducing the underweight in hedge funds.





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