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## INVESTORS HOLD THEIR BREATH FOR FED CHAIR NOMINATION

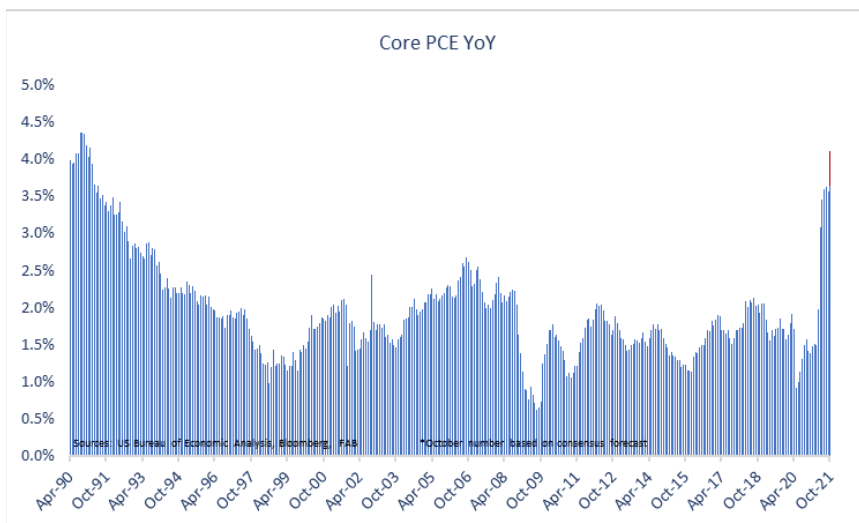
November 22<sup>nd</sup> 2021

- President Joe Biden is expected to announce his pick to lead the Fed this week
- Economists expect the October core PCE number to be the highest since 1990
- Some European countries are locking down as the number of Covid cases soars
- Oil prices retreated amid talks of strategic releases in China and the US

The coming week will be data-heavy for some of the world's largest economies, with several global PMIs. The focus will be on the US, however, as numbers on home sales, personal income, spending and, above all, the Federal Reserve's preferred inflation gauge, core PCE, will be released. Economists expect this measure to come in at 4.1%, the highest since 1990.

Such a print will rekindle the debate about when the Fed will raise rates. This will add even more focus on the expected announcement of President Joe Biden's pick to lead the Fed. He recently interviewed Lael Brainard for the job, suggesting Jerome Powell may not get another term. Brainard is expected to be slow to hike rates, given her views on what constitutes full employment.

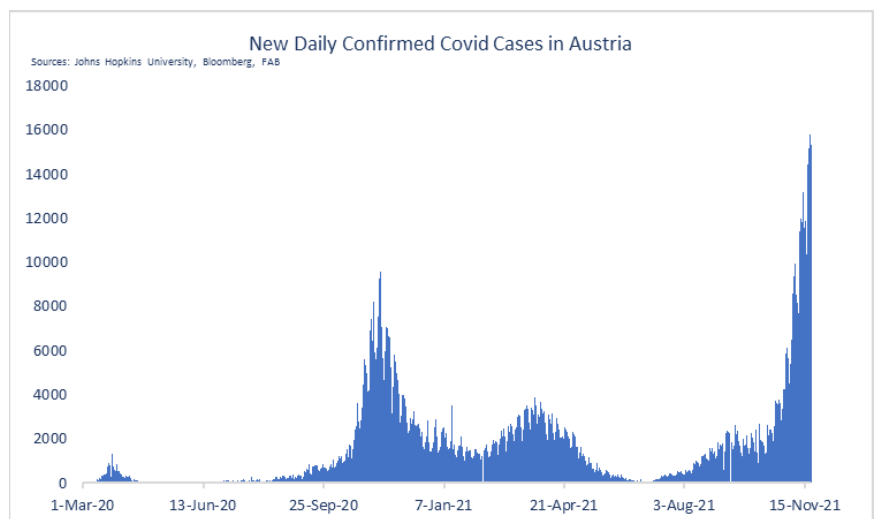
### YEAR-ON-YEAR CORE PCE IS FORECAST TO COME IN AT 4.1%, THE HIGHEST SINCE 1990



- Despite excluding food and energy, the Fed's preferred inflation gauge is likely to see a three-decade-high print because of rising housing and transportation costs.
- The number will underscore concerns voiced by some FOMC members that inflation is getting stickier.
- The minutes of the Fed's last meeting will be released on Wednesday and are likely to rekindle this debate.
- However, rising supply and a slowing economy still justify arguments that the jump in prices is temporary.

### AUSTRIA AND THE NETHERLANDS ARE IMPOSING LOCKDOWNS AS COVID CASES RISE

- Last week, Austria saw a record number of new cases, with several other European countries showing a spike in virus numbers.
- The hospitalization rates, however, remain relatively steady, thanks to high vaccination rates.
- Lockdowns and vaccine mandates in Austria and the Netherlands were met with street protests.
- While the number of cases has risen, it also reflects more testing, with some countries performing 20 times more Covid tests than a year earlier.





## CHINESE PROPERTY SECURITIES JUMPED AFTER RUMORS OF ONSHORE BANK SUPPORT

- The BofA Merrill Lynch China High-Yield index jumped 1.92% and the Hang Seng Property index gained 5.8% amid rumors that Chinese banks eased lending to developers.
- No Chinese developer has defaulted since October 26<sup>th</sup>, when the PBOC told property companies to meet their debt payments.
- Chinese junk bond ETFs have seen big inflows after yields hit all-time highs.
- Large upcoming maturities of key companies, mean there could still be some volatility ahead.



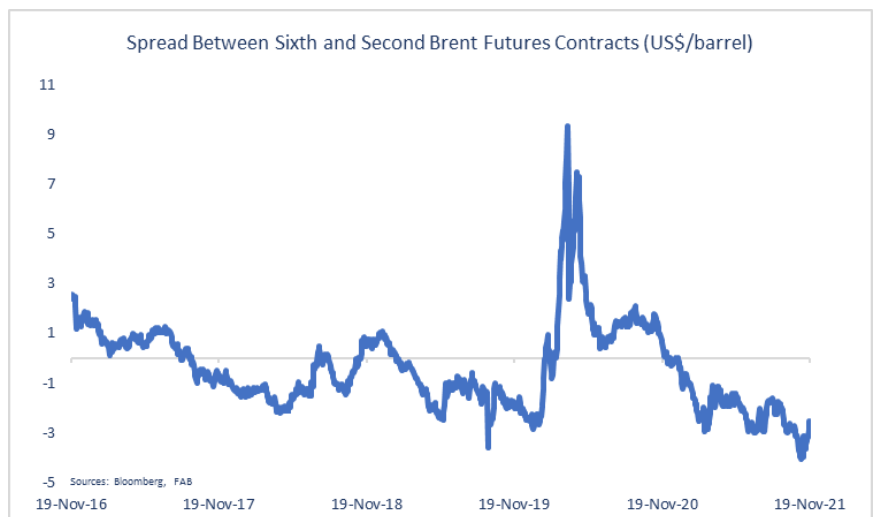
## MIDDLE EASTERN STOCKS CONTINUE TO RALLY AS REGIONAL IPOs ACCELERATE



- Several Dubai companies are planning IPOs as Abu Dhabi is having one of its best years for new issuance in history.
- Abu Dhabi has opened trading in single-stock futures, which also increases the liquidity of these shares.
- The region is benefiting from an accelerating economy, higher oil prices and rising tourism flows.
- The structural changes happening in the local markets suggest there could be further gains ahead, even if oil prices stop rising from here.

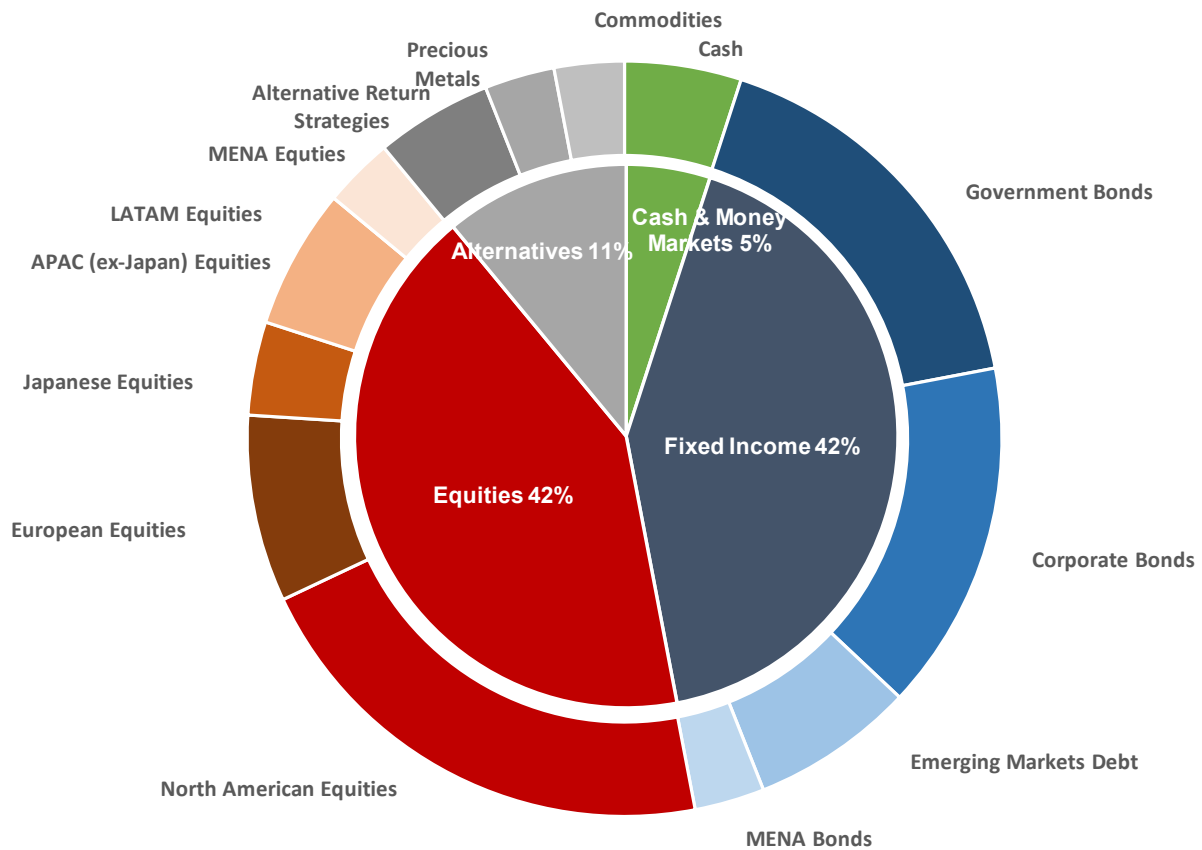
## OIL PRICES RETREATED, BUT TIME STRUCTURE OF FUTURES STILL SUGGESTS SHORTAGE

- Brent crude prices fell 3.99% last week after news stories suggested both the US and China were considering releasing some of their strategic petroleum reserves.
- Some analysts suggest that such a release could balance the market for one to two months, depending on the amount released.
- For now, however, the oil futures market remains in backwardation, with spot prices higher, than future ones, suggesting current demand still outstrips supply.





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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