

For inquiries related to this article, please contact:  
Christofer.Langner@bankfab.com

## THIS YEAR AGAIN COULD BE BETTER THAN MOST ANALYSTS EXPECT

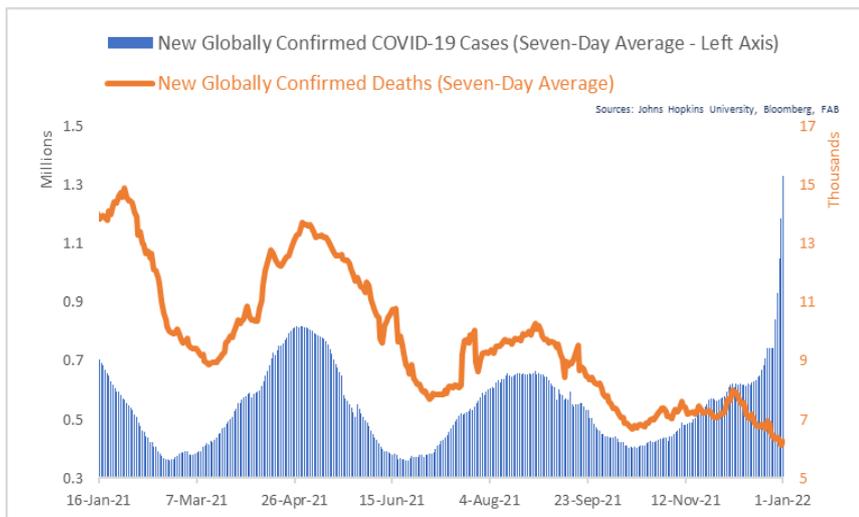
January 3<sup>rd</sup> 2022

- Omicron’s weaker virulence could make new lockdowns less necessary despite rising cases
- The S&P 500 ended the year having logged 70 records and 26.9% higher
- Long-end Treasury yields were mostly steady in December, but could rise in January
- Oil prices are showing signs that last year’s supply shortfall has eased

Last year began with a bleak outlook and ended with a bang. The S&P 500 had one of its best performances of the past 25 years, as analysts proved too bearish and corporate America showed resilience. The Middle Eastern markets performed particularly well, with the Abu Dhabi Securities Market index closing the year up by 68.24%, one of the strongest outcomes globally.

This year has many different factors coming into play. The Fed could start hiking rates and has been removing some of the monetary accommodation. The pandemic seems to have entered a new chapter (hopefully its final) with omicron proving more transmissible than any previous COVID-19 variant, but seemingly less deadly and virulent. For now, it seems, risk remains on.

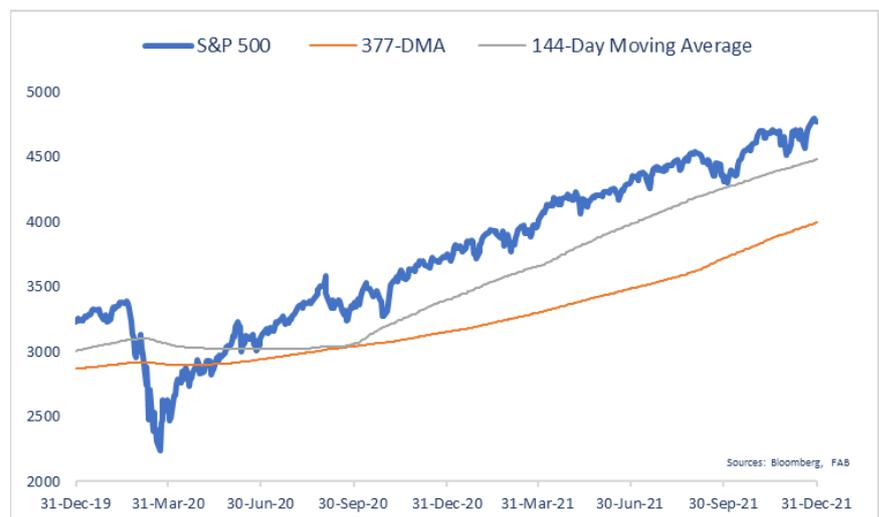
## NEW COVID-19 CASES HAVE HIT RECORDS BUT DEATHS ARE PROGRESSIVELY FALLING



- Recent record numbers of cases, however, could still translate into higher deaths later in January.
- However, data from most countries is now showing that the omicron variant, while significantly more contagious, is less deadly than the previous mutations of COVID-19.
- The weaker severity could mean a lower hospitalization rate and make it harder to justify further lockdowns.
- Markets seem to be pricing that in and stocks rallied in December while bond markets remained steady.

## THE S&P 500 BEAT THE BEARS AND MADE 70 RECORDS IN 2021, THE MOST SINCE 1995

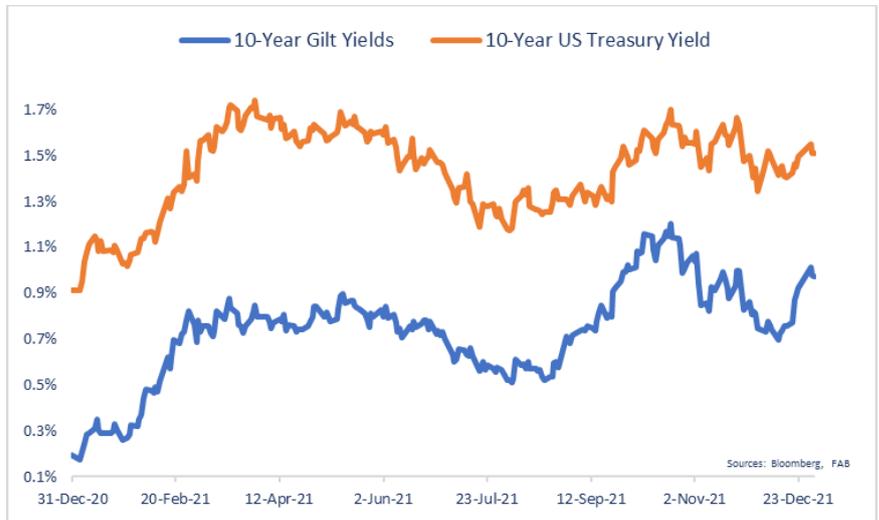
- The index ended the year having rallied 26.89%, after gaining 4.36% in December alone.
- FAB’s estimate at the start of 2021 was among the most bullish and had the index gaining about 18% last year.
- Most of the gains were justified by better earnings and forecasts as analysts proved too bearish.
- Earnings forecasts for the year ahead were revised by 33.7% last year, outpacing the index’s gains.
- This means some more gains could be in store in 2022.



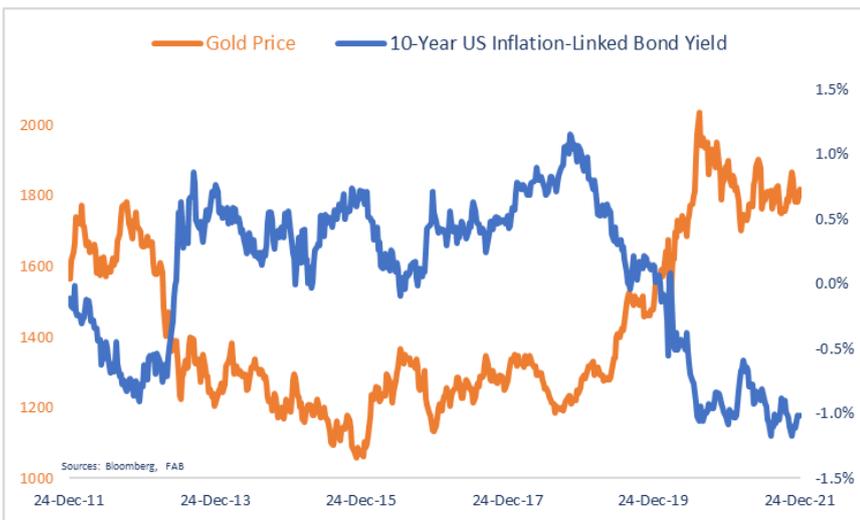


## GILT YIELDS SUGGEST LONG-END TREASURY YIELDS COULD MOVE HIGHER FROM HERE

- UK gilts have preempted Treasury moves for most of 2021, with the exception of the December rise that followed a Bank of England hike.
- This could be due to year-end bond buying amid low liquidity and other technical factors, which may be less relevant in the coming weeks.
- Strength in stocks and expected commentary from Fed officials could push Treasury yields higher.
- Steady long-term US bond yields could signal that markets expect the Fed to tighten too much.



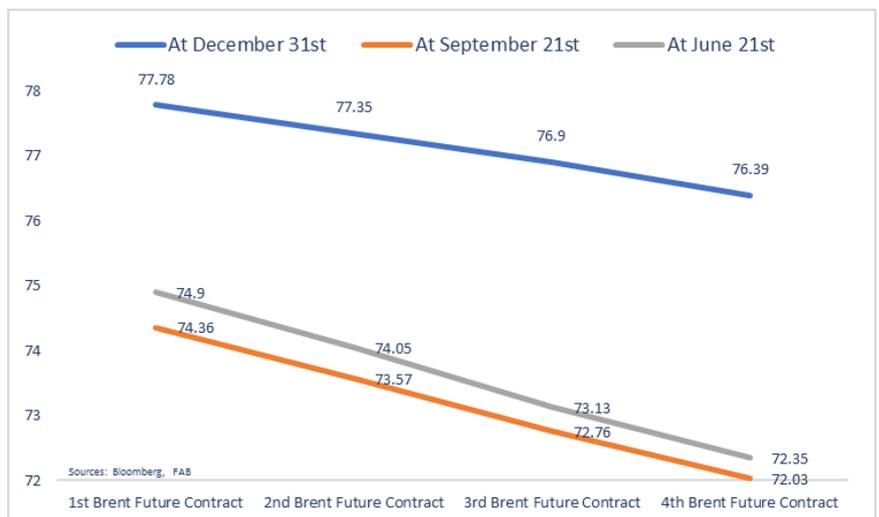
## REAL YIELDS ARE CLEAR DRIVERS OF GOLD PRICES, AND THEY MAY BE MOVING UP



- There is a clear inverse correlation between gold prices and the yield on inflation-linked bonds in the US.
- As the Fed tapers bond purchases, real yields could move higher, taking some of the shine off gold.
- The median forecast of analysts surveyed by Bloomberg sees gold ending the year at US\$1,680/oz, or 8.16% down from the US\$1,829.2/oz at which it ended the year.
- That forecast, however, probably assumes that the Fed will hike rates three times this year.

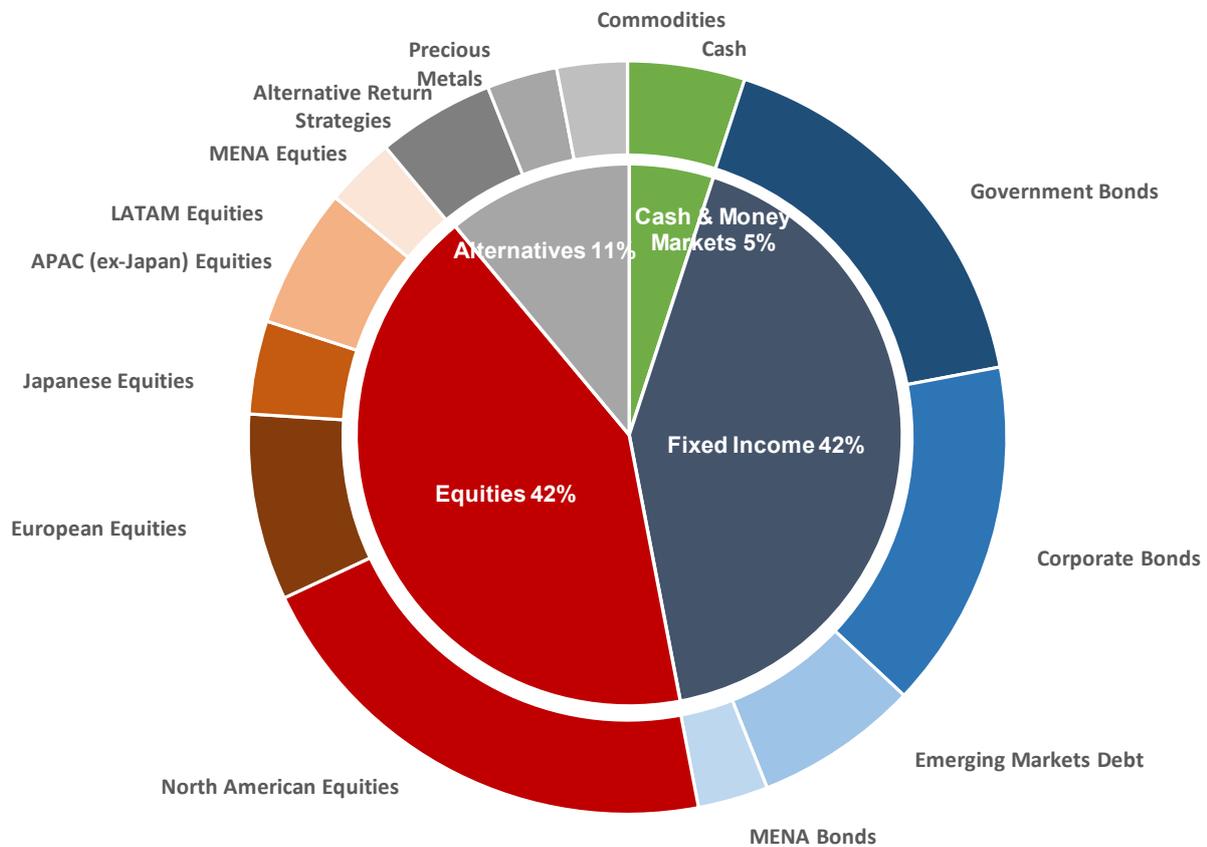
## BRENT FUTURES ARE BACK IN BACKWARDATION, BUT THE CURVE IS NOW FLATTER

- Brent futures had been in contango in the middle of December, a sign that buyers probably found it less difficult to buy crude in the spot market.
- While futures contracts have moved back into backwardation (when future prices are lower than nearer ones), the term curve is a lot flatter, suggesting more supply is available.
- The median forecast among analysts surveyed by Bloomberg sees Brent closing 2022 around US\$76.75/barrel.
- The FAB house view is that Brent will average US\$75/barrel this year.





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.





**Disclaimer:** This report has been prepared and issued by Products & Services - Elite & Private Banking ("P&S EPB") of First Abu Dhabi Bank PJSC ("FAB") outlining particular services provided by P&S EPB. This report is for general informational purposes and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for, any shares in FAB or otherwise or a recommendation for a particular person to enter into any transaction or to adopt any strategy nor shall it or any part of it form the basis of or be relied on in connection with any contract therefore. Anyone proposing to rely on or use the information contained in this publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts.

This report is provided on a confidential basis for informational purposes only and is proprietary to P&S EPB. This report may not be disclosed to any third party or used for any other purpose without the prior written consent of P&S EPB. The manner of circulation and distribution may be restricted by law or regulation in certain countries, hence any unauthorised use or disclosure of this document is prohibited.

The information in this report reflects prevailing conditions and our views as of this date, which are accordingly subject to change. In preparing this report, we have relied upon and assumed, without independent verification, the accuracy and completeness of all the information available from public sources or which was otherwise reviewed by us. FAB PJSC makes no representation or warranty, expressed or implied, as to the accuracy, timeliness or completeness of the information in this report. FAB PJSC shall have no liability to the Customer or to third parties for the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this report nor 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 report or otherwise arising in connection with the information contained and/or referred to in this report, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to FAB PJSC that may not be excluded or restricted.

Past performance is not a guarantee of future performance and should not be seen as an indication of future performance due to a variety of economic, market or other factors. The information contained in this report does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Any projections of potential risk or return are illustrative and should not be construed as limitations of the maximum possible loss or gain. Data included in this report may not take into account all potentially significant factors, such as market risk, liquidity risk and credit risk. Undue reliance should not be placed on forward looking statements in making an investment decision.

In addition, our analysis are not and do not purport to be appraisals of the assets, stock or business of the recipient and has been prepared without taking into account the objectives, financial situation or needs of particular person. Even when this presentation contains a kind of appraisal, it should be considered preliminary, suitable only for the purpose described herein and not be disclosed or otherwise used without the prior written consent of P&S EPB. FAB clients may already hold positions in the assets subject to this report and may accordingly benefit from the buying or selling of such assets as referred to in this report. This document does not purport to set out any advice, recommendation or representation on the suitability of any investment, transaction or product (as referred to in this document or otherwise), for potential purchasers. In receiving this report, the client is fully aware that there are risks associated with investment activities. Potential purchasers should determine for themselves the relevance of the information contained in this document and the decision to purchase any investment contained herein should be based on such investigation and analysis as they themselves deem necessary. Before entering into any transaction potential purchasers should obtain the investment offering materials, which include a description of the risks, fees and expenses and ensure that they fully understand the potential risks and rewards of that transaction (including, without limitation, all financial, legal, regulatory, tax and accounting consequences of entering into the transaction and an understanding as to how

the transaction will perform under changing conditions) and that they independently determine that the transaction is appropriate for them given their objectives, experience, financial and operational resources and other relevant circumstances. Potential purchasers should consider consulting with such advisers and experts as they deem necessary to assist them in making these determinations.

FAB is acting solely in the capacity of a potential arm's-length contractual counterparty and not as a financial adviser or fiduciary in any transaction unless we have otherwise expressly agreed so to act in writing. FAB does not provide any accounting, tax, regulatory or legal advice. FAB is licensed by the Central Bank of the UAE.

**London:** FAB London Branch is Authorized by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from FAB London branch on request. Registered in England & Wales: Company No: FC009142; VAT No: GB2453301 91.

**Paris:** FAB Paris Branch is licensed by the French Prudential Control Authority as a credit institution. FAB Paris is registered in France under the company number: RCS Paris B 314 939 547.

**Switzerland:** This publication is for informational purposes only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. This report is for distribution only under such circumstances as may be permitted by applicable law. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness. All information and opinions as well as any prices indicated are currently as of the date of this report, and are subject to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. At any time the First Abu Dhabi Bank PJSC and/or FAB Private Bank (Suisse) SA may have a long or short position, or deal as principal or agent, in relevant securities or provide advisory or other services to the issuer of relevant securities or to a company connected with an issuer. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. Futures and options trading is considered risky. Past performance of an investment is no guarantee for its current or future performance. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. First Abu Dhabi Bank PJSC and/or FAB Private Bank (Suisse) SA expressly prohibit the distribution and transfer of this document to third parties for any reason. First Abu Dhabi Bank PJSC and/or FAB Private Bank (Suisse) SA will not be liable for any claims or lawsuits from any third parties arising from the use or distribution of this document.

**Singapore:** First Abu Dhabi Bank P.J.S.C., Singapore Branch is regulated by the Monetary Authority of Singapore and holds a Wholesale Bank license.

For more details relating the investment products, please refer to the Prospectus and/or offering document on <https://www.bankfab.ae/en/invest> Please contact your relationship manager