

Markets Snap**SH**ot

10th October 2022

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Market Overview

Equity markets gained from a two-day rally on Monday/Tuesday as a result of the developing sentiment in the market questioning the Fed's ability to raise rates with a developing recession at home, the impacts on the financial markets and potential defaults as well as struggles with allies in Europe and Japan on the values of the currencies. On Tuesday, the Job Openings and Labor Turnover Survey (JOLTS) by the Bureau of Labor and Statistics showed a fall in job openings in August by 1.1 million- the jobs opening rate had declined on a monthly basis to 6.2%. The rally was short lived however and by Friday the gains were wiped out as the unemployment rate fell to 3.5%, a historic low, showing the labor market was still tight and keeping the Fed on track for its aggressive hike path. Central banks continue to struggle with balancing their twin mandates to reduce inflation while mitigating the risk of a recession. While the labor market remains tight for now, food or energy supply shocks cannot be ruled out. We can still expect another 150 bps of Fed Fund rate hikes that will bring the terminal rate to 4.75% by year end. A stronger US dollar may force other central banks to remain hawkish.

Citi expects global real GDP growth of 2.9% in 2022 slowing to 2.1% in 2023. Global inflation is expected to be 7.1% in 2022 and remain elevated in 2023. The investment bank expects Europe and the UK to enter recession this year and the US to follow in 2023. China's expected rebound next year should provide some relief to the slowdown elsewhere.

Volatility remained elevated in the bond market as well with the 2-year Treasury closing the week at 4.31%, up from its low of 4.10% on Monday. Equity markets were also affected by fund managers rebalancing their large equity holdings at the end of the quarter (September 30)

Source: Citi Global, Bloomberg, FX Calendar

Equities	Last Price	5-D (%)	1M (%)	YTD (%)
Americas				
S&P 500 Index	3,639	1.51%	-10.52%	-23.64%
NASDAQ Composite Index	10,652	0.73%	-12.05%	-31.91%
Dow Jones Industrial Average	29,296	1.99%	-8.88%	-19.38%
Europe				
Euro Stoxx 50	3,360	0.55%	-7.84%	-21.82%
FTSE 100 Index	6,948	0.58%	-7.01%	-5.90%
CAC 40 Index	5,821	0.47%	-8.09%	-18.62%
DAX Index	12,250	0.33%	-8.60%	-22.88%
Swiss Market Index	10,238	-0.51%	-6.85%	-20.48%
FTSE MIB	20,810	-0.77%	-7.96%	-23.90%
Asia Pacific Indices				
Nikkei 225	27,116	4.55%	-3.89%	-5.82%
Hang Seng Index	17,216	0.80%	-11.08%	-26.42%
CSI 300 Index	3,720	-3.02%	-7.33%	-24.68%
KOSPI Index	2,232	3.59%	-6.35%	-25.01%
S&P/ ASX 200	3,814	1.07%	-7.15%	-9.36%
Nifty 50	17,314	2.53%	-3.47%	-0.23%

Source: MarketWatch, Bloomberg

Commodities, FX and Bonds

The US dollar strength continued last week with the dollar gaining against the EUR, GBP, CHF, JPY and CNY. The release of the non-farm payroll report which showed that 263K jobs were added vs. expectation of 250k jobs, while employment rate fell to 3.5% gave the indication that the labor market was still strong enough and the US Fed would not be dissuaded from its current aggressive rate hike path. Accordingly, the bond yield have soared with the US 2-year gaining 20 bps to reach 4.31% by end of the week. Bond yields in other countries also rose as a US dollar would ensure the central banks would follow suit. WTI Crude Oil rose to 92.08 on OPEC+'s decision to remove 2 million bpd in anticipation of reduced demand due to recession. The large reduction by the OPEC+ would likely draw a response from the US and the International Energy Association to release additional strategic oil reserves.

Commodities

	Last Price	5-D (%)	1M (%)	YTD (%)
Energy				
WTI Crude Futures/ bbl	92.08	+10.37%	+4.51%	+22.14%
Brent Crude Futures/ bbl	97.48	+9.90%	+3.42%	+25.07%
Natural Gas Futures / MMBTU	6.687	+2.67%	-20.29%	+86.32%
Metals				
Aluminium Futures/ MT	2,286	+2.67%	-0.11%	-18.72%
Copper Futures/ Lb	7,462	-0.55%	-5.17%	-23.51%
Nickel Active Futures/ MT	22,415	+5.01%	-2.37%	+8.26%
Gold Spot \$/Oz	1,688	-1.21%	-2.73%	-7.78%
Silver Spot \$/Oz	19.68	-5.23%	-0.51%	-15.76%
Agriculture				
Cotton Futures / Lb	84.00	-0.34%	-20.48%	-25.43%
Corn Futures/ Bu	689.00	1.21%	-0.76%	16.29%
Soybean Futures/ Bu	1,387	0.89%	-6.60%	3.58%
Sugar Futures/ Lb	18.58	6.54%	0.98%	-1.22%
Wheat Generic Futures/ Bu	915.50	0.36%	6.70%	18.86%

Source: MarketWatch, Bloomberg

Currencies

	Last Price	5-D (%)	1M (%)	YTD (%)
EUR / USD	0.9689	-1.38%	-4.28%	-14.81%
GBP / USD	1.1047	-2.43%	-5.44%	-18.34%
CHF / USD	1.0022	-0.53%	-4.39%	-8.57%
USD / JPY	145.52	0.66%	1.88%	26.42%
USD / CNY	7.1434	0.39%	3.13%	12.39%

Fixed Income

	Last Price	5-D (bps)	1M (bps)	YTD (bps)
US 10 Year	3.890%	+25.38	+53.17	+237.59
Germany 10 Year	2.175%	+26.24	+52.12	+235.25
Italy 10 Year	4.703%	+50.32	+76.33	+352.86
Spain 10 Year	3.370%	+29.80	+58.30	+280.18
UK 10 Year	4.279%	+31.92	+119.54	+330.78
Japan 10 Year	0.254%	+0.96	+0.28	+18.15
US Treasury 3M Bill	3.293%	+5.91	+29.07	+314.50
US Generic Govt. 2Y	4.312%	+20.27	+68.42	+358.18
US Generic Govt. 30 Y	3.846%	+16.59	+33.08	+193.96

Source: MarketWatch, Bloomberg

Economic Calendar

Oct 10, 2022

United States: Fed Evans Speech
United States: Fed Brainard Speech

Oct 11, 2022

United Kingdom: Unemployment Rate (AUG) **Forecast:** 3.6% **Previous:** 3.6%
United States: Fed Harker Speech
United States: Fed Mester Speech
United Kingdom: BoE Gov Bailey Speech

Oct 12, 2022

United Kingdom: GDP 3-Month Avg **Forecast:** -0.2% **Previous:** 0%
United Kingdom: GDP YoY (AUG) **Previous:** 2.3%
United States: PPI MoM (SEP) **Forecast:** 0.2% **Previous:** -0.1%
United States: FOMC Minutes
Earnings Release: PepsiCo, Infosys Ltd., Wipro Ltd

Oct 13, 2022

Germany: Inflation Rate YoY Final (SEP) **Forecast:** 10% **Previous:** 7.9%
China: New Yuan Loan (SEP) **Forecast:** CNY1800B **Previous:** CNY1250B
United Kingdom: BoE Credit Conditions Survey
United States: Core Inflation Rate YoY (SEP) **Forecast:** 6.5% **Previous:** 6.3%
United States: Inflation Rate YoY (SEP) **Forecast:** 8.1% **Previous:** 8.3%
Earnings Release: TSM Co. Ltd-ADR, BlackRock Inc., Delta Airlines Inc., Domino's Pizza Inc.

Source: Bloomberg Markets, Morning Star

Economic Calendar

Oct 14, 2022

China: Inflation Rate YoY (SEP)

Forecast: 2.8%

Previous: 2.5%

India: Monetary Policy Meeting Minutes

United States: Retail Sales MoM (SEP)

Forecast: 0.2%

Previous: 0.3%

United States: Michigan Consumer Sentiment Prel (OCT)

Forecast: 59

Previous: 58.6

Earnings Release: JPMorgan Chase & Co., Morgan Stanley, Citigroup Inc., PNC Financial Services Group Inc., First Republic Bank

Source: Bloomberg Markets, Morning Star

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