



Markets SnapSHot

12 July 2022

Market Overview

Recession fears dominated headlines last week with renewed fears of a lockdown in China. The Euro almost achieved dollar parity on weaker economic data from Germany and the Eurozone. In contrast, June US employment reports remained resilient last week as job creation remained on highest levels since the Second World War, allowing the Fed to adopt a more hawkish rhetoric. Markets have priced in a further 75 basis rate rise at the Fed policy meeting on 27th July. Most participants expect the Fed to moderate the intensity of the hikes from Sep-Dec 2022, settling on hikes of +25bps instead of +75 bps as US economic data could continue to erode, causing the Fed to alter their single-minded stance on inflation. Weaker global demand and rising interest rates have also resulted in weaker EM currencies and a stronger US Dollar (Bloomberg News, Market Watch).

The assassination of Japan's longest standing Prime Minister Shinzo Abe has shocked the global community. He was well known for his 'Abenomics' policy which focused on generating economic growth via monetary easing and the weakening of the yen. Japan's upper house elections on Sunday has ruled the reigning Liberal Democratic Party victorious and the new Prime Minister Fumio Kishida will carry on with Abe's 'New Capitalism' policy agenda. Meanwhile, UK's Prime Minister Boris Johnson stepped down in the wake of 44 resignations in his government. The GBP stabilized following Johnson's departure announcement (Reuters, Bloomberg News).

On a corporate level, Elon Musk has decided to abandon his USD 44 trillion purchase of Twitter Inc. which could result in a legal battle unless settled out-of-court (CNBC News). Q2 earnings season starts this week starting with US banks. It makes sense to monitor the strength of loan growth as an indication of the US consumer's sentiment and resilience.

Equities	Last Price	5-D (%)	1M (%)	YTD (%)
Americas				
S&P 500 Index	3,854	-0.76%	2.80%	-19.13%
NASDAQ Composite Index	11,372	2.20%	5.21%	-27.31%
Dow Jones Industrial Average	31,173	0.25%	2.15%	-14.21%
Europe				
Euro Stoxx 50	3,447	2.62%	-0.79%	-19.79%
FTSE 100 Index	7,171	2.07%	-0.23%	-2.89%
CAC 40 Index	5,962	2.89%	0.22%	-16.64%
DAX Index	12,731	2.67%	-4.30%	-19.85%
Swiss Market Index	10,947	2.29%	2.23%	-14.97%
FTSE MIB	21,367	3.20%	-2.19%	-21.86%
Asia Indices				
Nikkei 225	26,336	-0.33%	-1.10%	-8.53%
Hang Seng Index	20,861	-4.51%	-0.96%	-10.82%
CSI 300 Index	4,313	-3.92%	2.16%	-12.69%
KOSPI Index	2,317	-1.03%	-7.03%	-22.16%
S&P/ ASX 200	6,606	0.06%	-4.70%	-11.26%
Nifty 50	16,216	2.56%	3.08%	-6.56%

Source: Market Watch, Bloomberg Markets

Commodities, FX and Bonds

The Euro was the week's largest loser, almost achieving parity with the dollar as Germany announced its first trade deficit since 1991. The energy sector in Europe is also facing a crisis evidenced by France's decision to nationalize EDF and Germany's bail out of Uniper (Source: Bloomberg Markets). In response to these challenges, it is expected that the European Central Bank will accelerate its rate hikes to flatten the yield curve and stabilize the Euro starting at its next meeting on 21 July. India's central bank, RBI allows global trade settlements in INR (RBI website). The move would enable trade with sanctions-hit Russia while promoting growth in foreign reserves.

Commodities

	Last Price	5-D (%)	1M (%)	YTD (%)
Energy				
WTI Crude Futures/ bbl	101.79	+0.33%	-14.00%	+40.42%
Brent Crude Futures/ bbl	104.73	-0.11%	-11.91%	+39.74%
Natural Gas Futures / MMBTU	6.394	+17.85%	-11.97%	+78.04%
Metals				
Aluminium Futures/ MT	2,377	+0.34%	-11.39%	-15.50%
Copper Futures/ Lb	7,608	-0.22%	-19.36%	-22.01%
Nickel Active Futures/ MT	21,905	-3.29%	-19.61%	+5.80%
Gold Spot \$/Oz	1,734	-1.71%	-7.30%	-5.06%
Silver Spot \$/Oz	18.99	-1.25%	-13.29%	-18.39%
Agriculture				
Cotton Futures / Lb	94.93	+1.55%	-22.70%	+2.41%
Corn Futures/ Bu	628.25	+8.69%	-12.80%	+14.91%
Soybean Futures/ Bu	1514.50	+4.90%	-8.87%	+13.23%
Sugar Futures/ Lb	18.90	+5.70%	-0.74%	+3.17%
Wheat Generic Futures/ Bu	864.50	+7.42%	-20.43%	+12.90%

Source: Market Watch, Yahoo Finance

Currencies

	Last Price	5-D (%)	1M (%)	YTD (%)
EUR / USD	1.0006	-2.52%	-3.95%	-12.02%
GBP / USD	1.1836	-1.02%	-1.36%	-12.51%
CHF / USD	1.0158	-1.62%	+1.74%	-7.32%
USD / JPY	137.3435	+1.07%	+2.17%	+19.33%
USD / CNY	6.7135	+0.08%	+0.21%	+5.68%

Fixed Income

	Last Price	5-D (bps)	1M (bps)	YTD (bps)
US 10 Year	2.922%	+11.62	-55.85	+140.80
Germany 10 Year	1.170%	-1.37	-58.21	+134.76
Italy 10 Year	3.185%	+1.06	-98.67	+201.07
Spain 10 Year	2.283%	-3.01	-76.52	+171.37
UK 10 Year	2.104%	+5.20	-48.91	+113.29
Japan 10 Year	0.246%	+2.74	-1.08	+17.33
US Treasury 3M Bill	2.130%	+44.58	+34.30	+208.04
US Generic Govt. 2Y	3.008%	+17.93	-41.46	+227.77
Us Generic Govt. 30 Y	3.123%	+8.11	-30.60	+121.68

Source: Market Watch, Yahoo Finance

Economic Calendar

July 12, 2022

Euro Area: EcoFin Meeting
United Kingdom: BoE's Governor Bailey Speech
Earnings Release: PepsiCo Inc.

July 13, 2022

Euro Area: Harmonized Index of Consumer Prices Forecast: 8.20% Previous: 8.20%
United States: Consumer Price Index (MoM) Forecast: 0.60% Previous: 0.60%
United States: Consumer Price Index (YoY) Forecast: 5.80% Previous: 5.80%
Earnings Release: Infosys Ltd. ADR

July 14, 2022

Earnings Release: JPMorgan Chase & Co., Morgan Stanley and First Republic Bank

July 15, 2022

Earnings Release: HDFC Bank Ltd ADR, BlackRock Inc., Citigroup Inc., US Bancorp, Bank of New York Mellon Corp, Swedbank AB, Husqvarna AB

Source: Bloomberg Markets, Morning Star

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