

Markets Snap**SH**ot

21st December 2022

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Market Overview

Risky assets continue to react to the central bank action with expectations that interest rates will remain higher for longer. Developed market equities valuations are challenged as earnings growth in 2023 as higher borrowing costs compress margins despite sales growth or share buybacks. Higher valuations, particularly for US equities will continue being under pressure as the relative attractiveness of risky equity assets are challenged by higher yields offered on the fixed income asset class. Although European equities are better placed in terms of entry valuation levels, they would still face challenges due to the macro environment.

Emerging market equities should benefit relative to developed markets as they start from a lower valuation and earnings standpoint. Although they are not immune to the overall macro challenges. We can expect the macro environment in 2023 to worsen in the first half with economic activity recovering from recession and inflation lowering in the second half of the year. Emerging market equities would also benefit from the weakening of the US dollar.

Equities				
	Last Price	5-D (%)	1M (%)	YTD (%)
Americas				
S&P 500 Index	3,822	-4.93%	-3.25%	-19.82%
NASDAQ Composite Index	11,072	-6.44%	-4.16%	-32.15%
Dow Jones Industrial Average	32,850	-3.69%	-2.52%	-9.60%
Europe				
Euro Stoxx 50	3,802	-4.62%	-2.73%	-11.54%
FTSE 100 Index	7,371	-1.76%	-0.08%	-0.19%
CAC 40 Index	6,450	-4.37%	-2.77%	-9.82%
DAX Index	13,885	-4.23%	-3.44%	-12.59%
Swiss Market Index	10,659	-4.29%	-3.84%	-17.21%
FTSE MIB	23,718	-3.73%	-2.62%	-13.27%
Asia Pacific Indices				
Nikkei 225	26,388	-6.28%	-5.57%	-8.35%
Hang Seng Index	19,127	-2.78%	8.33%	-18.25%
CSI 300 Index	3,831	-3.14%	1.63%	-22.46%
KOSPI Index	2,329	-2.93%	-3.74%	-21.79%
S&P/ ASX 200	7,115	-1.88%	-0.34%	-4.43%
Nifty 50	18,279	-2.04%	0.66%	5.33%

Source: MarketWatch, Bloomberg

Commodities, FX and Bonds

Bank of Japan announced on Tuesday that it will allow 10 year yields to trade as high as 0.5%. In the past, Japan has implemented a dovish stance on monetary policy, Historically, the rate was maintained at 0% and quantitative easing was followed on a large scale. Recently, BoJ switched its strategy from targeting a quantity of bonds to buy (QE) to a more qualitative measure –the Yield Curve Control(YCC). This YCC band was increased by Kuroda to to allow movement between -0.5% and 0.5% and inflation is expected to stabilize around 2% in 2023. This paves the way for a future shift in policy with fixed income investors now pricing in 35 bps of hikes in the future. As one of the world’s largest capital exporters (Japan has accumulated more than USD 1 trillion in USTs). the possibility of earning higher yields domestically would have a negative impact on foreign fixed income assets and we can expect the Yen to strengthen further.

Commodities

	Last Price	5-D (%)	1M (%)	YTD (%)
Energy				
WTI Crude Futures/ bbl	76.08	-1.55%	-4.58%	1.16%
Brent Crude Futures/ bbl	80.03	-3.23%	-8.48%	2.89%
Natural Gas Futures / MMBTU	5.530	-14.00%	-18.39%	48.26%
Metals				
Aluminium Futures/ MT	2,349	-3.05%	-2.75%	-16.20%
Copper Futures/ Lb	380.55	-1.79%	6.55%	-14.74%
Nickel Active Futures/ MT	28,209	0.72%	11.69%	35.14%
Gold Spot \$/Oz	1,813	0.34%	4.34%	-0.86%
Silver Spot \$/Oz	23.88	-0.26%	14.54%	2.47%
Agriculture				
Cotton Futures / Lb	88.19	8.38%	8.66%	-21.68%
Corn Futures/ Bu	653.00	2.19%	-0.99%	10.07%
Soybean Futures/ Bu	1,481.50	-0.05%	3.11%	11.50%
Sugar Futures/ Lb	564.10	4.40%	3.83%	13.48%
Wheat Generic Futures/ Bu	754.50	3.60%	-5.60%	-2.11%

Source: MarketWatch, Bloomberg

Currencies

	Last Price	5-D (%)	1M (%)	YTD (%)
EUR / USD	1.0622	-0.56%	3.71%	-6.58%
GBP / USD	1.2164	-2.11%	2.88%	-10.11%
CHF / USD	1.0780	0.34%	-3.22%	1.69%
USD / JPY	132.01	2.63%	7.67%	-12.82%
USD / CNY	6.9690	-0.27%	2.82%	-8.79%

Fixed Income

	Last Price	5-D (bps)	1M (bps)	YTD (bps)
US 10 Year	3.6898	20.97	-13.99	218.09
Germany 10 Year	2.2982	36.20	30.89	248.69
Italy 10 Year	4.4661	60.82	53.51	330.10
Spain 10 Year	3.3860	46.47	40.03	283.01
UK 10 Year	3.6080	31.22	46.95	262.84
Japan 10 Year	0.4725	22.55	23.05	40.73
US Treasury 3M Bill	4.3065	10.52	-4.81	427.62
US Generic Govt. 2Y	4.2412	2.86	-29.82	350.99
US Generic Govt. 30 Y	3.7453	21.02	-15.47	189.16

Source: MarketWatch, Bloomberg

Economic Calendar

Dec 21, 2022

Germany: GfK Consumer Confidence(JAN) **Forecast:** -38 **Actual:** -37.8
United States: CB Consumer Confidence **Forecast:** 101 **Previous:** 100.20
Earnings: Ping An Insurance Group, Micron Technology, Banco Santander, Carnival PLC, Raiffeisen

Dec 22, 2022

United Kingdom: GDP Growth Rate YoY Final **Forecast:** 2.4% **Previous:** 4.4%
United States: GDP Growth Rate QoQ Final **Forecast:** 2.9% **Previous:** -0.6%
United States: Initial Jobless Claims **Forecast:** 222K **Previous:** 211K
Earnings Release: BYD Co Ltd, Nintendo Co Ltd, CarMax, Inc.

Dec 23, 2022

Japan: Inflation Rate YoY (Nov) **Previous:** 3.7%
Japan: Core Inflation Rate YoY **Forecast:** 3.7% **Previous:** 3.6%
United States: Core PCE Price Index YoY (NOV) **Forecast:** 4.7% **Previous:** 5%
United States: PCE Price Index YoY (NOV) **Previous:** 6%
United States: Michigan Consumer Sentiment Final (DEC) **Forecast:** 59.1 **Previous:** 56.8

Source: Bloomberg Markets, Morning Star

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