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Markets Snap**SH**ot

05th May 2023

Market Overview

With inflation down from its peak and a credit crunch looming, Central Banks on both sides of the Atlantic have slowed the pace of the rate hikes and peak borrowing rates are nearing.

The US Federal Reserve raised rates by 25 bps at its latest FOMC meeting bringing the Federal Funds Rate to 5.25% from 5%. The language of Fed officials and US Federal Reserve Chair Powell indicated that future decisions would be on a meeting-by-meeting basis and inflation, labor market and credit conditions would factor into future policy decisions. Powell noted that the labor market was still tight and it was still uncertain how much the reduced lending from banks would impact the economy. The Fed would continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities as planned. The central bank would work to strengthen supervision and regulation for mid sized banks and its essential for debt ceiling to be raised and that a US government default could have adverse effects.

The ECB also raised interest rates by 25 bps with ECB President Christine Lagarde warning that the fight against inflation was not over and the market expects two further hikes of 25 bps to raise the deposit rate from 3.25 to 3.75 by July this year- the highest ever level since 2001. Borrowing costs could result in a credit crunch which was the impetus to reduce the pace of rate hikes from 50 bps to 25 bps and its expected that the peak in Eurozone borrowing costs is not far away.

The sale of First Republic to JP Morgan was finalized on Monday ending the turmoil around the crisis of confidence in March- the failure of First Republic the second largest in US banking history after Washington Mutual in 2008. The calendar for the week includes inflation data and employment data release in the US and BoE interest rate decision.

Equities	Last Price	5-D (%)	1M (%)	YTD (%)
Americas				
S&P 500 Index	4,061	-1.79%	-1.07%	5.77%
NASDAQ Composite Index	11,966	-1.45%	-1.01%	14.33%
Dow Jones Industrial Average	33,127	-2.06%	-1.07%	-0.06%
Europe				
Euro Stoxx 50	4,287	-1.63%	-0.52%	13.01%
FTSE 100 Index	7,702	-1.65%	-0.50%	3.37%
CAC 40 Index	7,340	-1.91%	0.22%	13.39%
DAX Index	15,734	-0.42%	0.87%	13.00%
Swiss Market Index	11,456	0.83%	2.02%	6.78%
FTSE MIB	26,670	-1.80%	-2.00%	12.50%
Asia Pacific Indices				
Nikkei 225	29,157	1.88%	3.08%	11.74%
Hang Seng Index	20,076	0.92%	-1.25%	1.49%
CSI 300 Index	4,010	-0.47%	-2.75%	3.57%
KOSPI Index	2,500	0.21%	1.70%	11.83%
S&P/ ASX 200	7,410	-1.20%	-0.02%	2.62%
Nifty 50	18,255	1.06%	3.73%	0.83%

Source: MarketWatch, Bloomberg

Commodities, FX and Bonds

Crude oil prices fell for the third week in a row in response to expectations of weakening US economy and slowing demand in China. The strengthened US dollar after ECB raised rates yesterday further put a damper on oil prices as a stronger greenback makes crude more expensive for buyers holding foreign currency. Rates on longer maturities have fallen in anticipation that the US Fed and ECB would soon pause the rate hike schedules in response to tighter economic conditions. The Hong Kong Monetary Authority (HKMA) raised its main policy rate in response to US Fed rate hike. Weakness in its pegged currency forced the central bank to deplete banking system cash to 15-year lows and brings banking liquidity to 2008 levels underscoring the effect of the US rate hike schedule on the international financial system.

Commodities				
	Last Price	5-D (%)	1M (%)	YTD (%)
Energy				
WTI Crude Futures/ bbl	69.24	-7.54%	-13.94%	-13.74%
Brent Crude Futures/ bbl	73.21	-6.51%	-13.81%	-14.86%
Natural Gas Futures / MMBTU	2.259	-11.06%	11.17%	-44.65%
Metals				
Aluminium Futures/ MT	2,295	-2.53%	-1.92%	-3.89%
Copper Futures/ Lb	385.25	-1.75%	-3.36%	-4.20%
Nickel Active Futures/ MT	24,000	-1.17%	6.67%	-19.79%
Gold Spot \$/Oz	2,057	3.00%	1.65%	12.40%
Silver Spot \$/Oz	26.31	5.39%	4.70%	8.81%
Agriculture				
Cotton Futures / Lb	82.53	2.55%	-0.84%	-1.04%
Corn Futures/ Bu	590	1.55%	-8.27%	-12.93%
Soybean Futures/ Bu	1,424	1.32%	-4.64%	-6.56%
Sugar Futures/ Lb	25.54	-3.29%	8.08%	27.38%
Wheat Generic Futures/ Bu	646.75	2.58%	-4.26%	-18.24%

Source: MarketWatch, Bloomberg

Currencies				
	Last Price	5-D (%)	1M (%)	YTD (%)
EUR / USD	1.1043	0.22%	1.24%	3.18%
GBP / USD	1.2609	0.35%	1.53%	4.22%
CHF / USD	1.1315	1.20%	2.49%	4.67%
USD / JPY	133.91	-1.77%	1.31%	2.13%
USD / CNY	6.9086	-0.05%	0.55%	0.15%
Fixed Income				
	Last Price	5-D (bps)	1M (bps)	YTD (bps)
US 10 Year	3.385	-3.68	-1.95	-49.43
Germany 10 Year	2.190	-27.18	0.32	-38.02
Italy 10 Year	4.116	-24.78	8.87	-58.00
Spain 10 Year	3.292	-20.82	7.29	-32.92
UK 10 Year	3.654	-14.28	22.09	-1.32
Japan 10 Year	0.423	3.45	-3.59	0.77
US Treasury 3M Bill	5.230	16.85	36.57	81.02
US Generic Govt. 2Y	3.805	-20.17	-16.11	-61.89
US Generic Govt. 30 Y	3.737	5.98	11.40	-23.44

Source: MarketWatch, Bloomberg

Economic Calendar

May 8, 2023

Japan: BoJ Monetary Policy Meeting Minutes

Earnings: PayPal Holdings Inc., Infineon Technologies, Devon Energy Corp, BioNtech SE, Vestas Wind System, Tyson Foods, Lucid Group, Western Digital Corp, Plug Power

May 9, 2023

Australia: Westpac Consumer Confidence Index

Previous: 85.8

Earnings: Duke Energy Corp, Airbnb Inc., Occidental Petroleum Corp, Bayer AG, Nintendo, Coupang, Nippon Steel, Twilio, Kinross Gold, Under Armour, Lincoln National, Virgin Galactic

May 10, 2023

Germany: Inflation Rate YoY Final (APR)

Forecast: 7.20%

Previous: 7.40%

United States: Core Inflation Rate YoY (APR)

Forecast:

Previous: 5.6%

United States: Inflation Rate YoY

Forecast:

Previous: 5.0%

United States: Monthly Budget Statement

Previous: -\$378B

Earnings: The Walt Disney Co., BYD Co., Toyota Motor Corp, Lloyd Banking Group, E. ON SE, Roblox Corp, Li Auto Inc., Continental AG, thyssenkrupp AG, Ubisoft Entertainment, Vertex Inc., BioVie Inc.

Source: Bloomberg Markets, Morning Star

Economic Calendar

May 11, 2023

China: Inflation Rate YoY (APR)

Previous: 0.7%

United Kingdom: BoE Interest Rate Decision

Previous: 4.25%

United States: PPI MoM (APR)

Forecast: 0.3%

Previous: -0.5%

United States: Continuing Jobless Claims

Previous: 1805K

United States: Initial Jobless Claims

Previous: 242K

Earnings: Siemens AG, Nippon Telegraph & Telephone Corp, Allianz SE, SoftBank Group Corp, JD.com Inc., Sun Life Financial Inc., Telefonica SA.

May 12, 2023

United Kingdom: GDP Growth Rate YoY

Previous: 0.6%

United States: Michigan Consumer Sentiment

Forecast: 63

Previous: 63.5

India: Inflation Rate YoY (APR)

Previous: 5.66%

Earnings: Deutsche Telecom AG, Sumitomo Mitsui Financial Group Inc., Honda Motor Co Ltd ADR, Toshiba Corp, Mizuho Financial Group Inc.

Source: Bloomberg Markets, Morning Star

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