

January 31, 2022

Monday Briefing – 31st January 2022



HIGHLIGHTS

A confluence of events led to a highly volatile week on equity markets with very wild intraday trading action, multiple pullbacks and sharp reversals. Those events included inflation concerns, a widely anticipated FOMC interest rate decision and rising geopolitical tensions in Ukraine.

Amid this panoply of warring narratives, the US equity market delivered an impressive twist last Friday, avoiding a fourth consecutive week of losses.

The Fed confirmed a rate lift-off in March, as well as the end of its bond-buying programme by then. The FOMC also released principles for balance sheet reduction. Under the proposed framework, it will gradually let securities mature uninvested, rather than conducting sales.

The biggest takeaway was Powell's emphasis that this cycle is different from the last round of tightening in that inflation is well-above target, the labour market is historically tight, and growth projections remain above long-run potential. While the Chair demurred when asked what that meant for parameters of monetary policy, he did not rule out a faster pace of rate hikes or larger increments.

Oil posted its sixth straight weekly gain driven in part by the continued massing of Russian troops along the border with Ukraine. Attention will shift to the OPEC+ meeting on Feb. 2 to assess the market and decide on supplies for March.

On the corporate front, Tesla shares fell more than 11% after it warned about supply chain challenges and the fact that the company will not be producing new models in 2022. Strong Apple earnings bolstered investor sentiment with sales overcoming the supply chain crunch. On the other side of the Atlantic, LVMH published stellar and record annual sales, a performance exemplifying the V-shaped recovery experience.

Central banks will continue to dominate the agenda as we move into February, with both the ECB and the Bank of England set to make policy decisions on Thursday. Earnings season will continue in full flow, with an additional 111 companies in the S&P 500 reporting, including Amazon, Alphabet and Meta.

ECONOMIC CALENDAR

Monday – Japan Consumer Confidence (January) and Unemployment Rate (December). Spain Inflation (Preliminary, January) and Retail Sales (December). Eurozone GDP Growth (Flash, Q4). Germany Inflation Rate (Preliminary, January).

Tuesday – Reserve Bank of Australia Monetary Policy Committee. Germany Retail Sales (December) and Unemployment (January). UK House Prices (January). France Inflation (Preliminary, January). US, Eurozone and UK Markit Manufacturing PMI (Final, January). Eurozone Unemployment (December). US JOLTs Job Openings (December) and ISM Manufacturing PMI (January).

Wednesday – Eurozone Inflation (Flash, January). US ADP Employment Change (January). OPEC and non-OPEC Ministerial Meeting. Central Bank of Brazil Monetary Policy Committee.

Thursday – US, UK, Eurozone, Japan Composite PMI (Final, January). Bank of England Monetary Policy Committee. European Central Bank Monetary Policy Meeting. US Weekly Jobless Claims, ISM Non-Manufacturing PMI (January), Factory Orders (December).

Friday – Reserve Bank of Australia statement on monetary policy. France Industrial Production (December). Eurozone Retail Sales (December). US Unemployment Rate, Average Hourly Earnings, Non-Farm Payrolls and Participation Rate (January).

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