February 7, 2022

Monday Briefing – 7th February 2022

HIGHLIGHTS

Financial markets continued to weigh up the implications of the monetary policy tightening campaign on earnings and the economy. Additional volatility came in the form of mixed earnings results from some of the largest US companies.

Companies that missed earnings expectations saw their stock severely punished (Meta, Spotify, PayPal), but the US equity market was able to record overall gains for the week on positive announcements from the likes of Alphabet, Amazon and Snap.

Alphabet published stellar earnings and announced a 20-for-1 stock split. Meta report the first-ever decline in average daily users on Facebook, huge headwinds on the supply and demand for ads on the platform and huge spending plans for the shift to the metaverse. This resulted in the largest one-day dollar market cap decline in US market history. Conversely, Amazon reported better-than-expected earnings, driven in part by its Web services business; this helped indices jump back Friday while also delivering one of the biggest ever gains in market cap.

The primary market concern, the shift in monetary policy, remained on the backdrop:

- The Bank of England increased its key interest rate by 0.25%, as expected, to 0.5%. Four out of the nine-member panel pushed for a 0.50% increase. The BoE also announced that it will start to unwind its bond holdings by immediately stopping reinvesting the proceeds of expired gilts and announced plans to offload its stock of corporate bonds by the end of 2023.

- The ECB also pivoted towards a tightening stance by no longer ruling out an interest-rate hike this year, citing unexpected record inflation.

OPEC+ agreed to proceed with a 400,000 barrels-a-day output hike.

While US unemployment ticked up marginally to 4%, 467,000 jobs were added in January, significantly above all estimates and hourly wages jumped

ECONOMIC CALENDAR

Monday – China Caixin Composite PMI (January). US Consumer Credit Change (December). Japan Household Spending and Average Earnings (December).

Tuesday – US, Canada, France Balance of Trade (December). Spain Industrial Production (December). Italy Retail Sales (December). US NFIB Business Optimism Index (January).

Wednesday – Germany Balance of Trade (December). Italy Industrial Production (December). US Wholesale Inventories (December).

Thursday – US Inflation data (January), Weekly Jobless Claims. OPEC Monthly Report. China M2 Money Supply, FDI, Vehicles Sales, Total Social Financing, Loan Growth (January).

Friday – Germany Inflation data (Final, January). UK GDP Growth (Preliminary, Q4), Balance of Trade, Industrial Production (December). US Michigan Consumer Sentiment (Preliminary, February).

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