February 14, 2022

# Monday Briefing – 14th February 2022

HIGHLIGHTS

• The blockbuster US CPI for January printed at 7.5%, a rate unseen since 1982, surprising once again to the upside and far beyond estimates (7.2%).

• Worries about a more aggressive Fed tightening campaign were further exacerbated by comments from St. Louis Fed President James Bullard who mentioned that he supports raising interest rates by 100bp by the start of July and that the Fed should consider hiking rates by 25 bps "right now" before the scheduled March meeting.

• Market participants not only raised forecasts for US rate hikes, including the possibility of intermeeting emergency Fed hikes (this last occurred in 1994), they also raised the possibility of recession when looking at the flattening of the US Treasury curve.

• Signs that high prices are taking a toll on consumer sentiment were also visible with the disappointing February University of Michigan Consumer Sentiment Index that declined to the lowest level since October 2011.

• On the other side of the world, the BoJ said it is ready to buy an unlimited amount of 10-year Japanese Government Bond to defend the 0.25% yield target.

• The US CPI print was the catalyst for 10y Treasury yields to trade above 2%, while the big story was the much sharper moves at the front-end of the curve. Those moves were echoed in Europe, supporting a further widening in peripheral spreads.

• Warnings from US officials that a Russian invasion of Ukraine might be imminent also contributed to a late-week equity sell-off.

• Italy's parliament approved a law that recognizes the protection of the environment, the ecosystem and biodiversity as part of the country's constitution.

• EDF again cut its nuclear output target because of maintenance work on reactors, leading to electricity prices surging in Europe. On 56 reactors in France, 12 reactors are or will be shutdown.

ECONOMIC CALENDAR

Monday – US Consumer Inflation Expectations (January). China FDI (January).

Tuesday – Japan GDP Growth (Preliminary, Q4) and Industrial Production (Final, December). UK Unemployment (December). Spain Inflation (Final, January). Eurozone GDP Growth (2nd Estimate, Q4), ZEW Economic Sentiment Index (February). Germany New Car Registrations (January) and ZEW Economic Sentiment Index (February). US PPI (January).

Wednesday – Japan Reuters Tankan Index (February). China and UK Inflation (January). Eurozone Industrial Production (December). US Retail Sales and Industrial Production (January), NAHB Housing Market Index (February), Business Inventories (December), FOMC Minutes.

Thursday – Eurozone New Car Registrations (January). US Building Permits and Housing Starts (January) and Weekly Jobless Claims.

Friday – Japan Inflation (January). France Unemployment (Q4). UK Retail Sales (January). France Inflation (Final January). Germany Composite PMI (Flash, February). Eurozone Consumer Confidence (Flash, February). US Existing Home Sales (January) and Conference Board Leading Index (January).

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