

March 14, 2022

Monday Briefing – 14th March 2022



HIGHLIGHTS

- The Russia/Ukraine war, a more hawkish than expected ECB meeting, and, another four-decade high US CPI print dominated headlines last week, seeding a week of roller coaster financial markets, with volatility whipsawing global markets and investors tottering between panic selling and dip-buying.
- Most equity indices ended the week lower (except those in Europe as they had already cratered the previous week), as sharp midweek rally reversed. Indeed, a pullback in commodity prices and hopes about diplomatic resolution were stymied by reports that Russia had intensified its invasion and by resurfacing stagflation concerns.
- Consumer staples underperformed as product makers ramped up their self-sanctioning policies. Simultaneously, Russia is considering plans to seize and potentially nationalize the assets of the companies that quit the country.
- Commodity prices continued their wild moves with oil swinging after the US and the UK decided to embargo imports of Russian oil and gas, followed by signals about a potential

boost to OPEC+ output. The London Metal Exchange suspended trading in its nickel market after a 250% intra-day move, huge margin calls, a short squeeze and supply concerns.

- The government bond market has been just as volatile, with yields increasing significantly amid continued inflation concerns and possible large-scale joint debt issuance by European countries for energy and defense spending.
- The ECB signalled that, for now, it prioritizes its inflation fight over the need to support the economy. By adopting a more hawkish position than anticipated, and announcing a faster reduction in their asset purchases (APP ending in Q3, rather than at the end of the year), the selloff in bonds intensified while peripheral spreads widened.
- The US Securities and Exchange Commission indicated that it has put five Chinese firms on a provisional waitlist for delisting from US exchanges if they fail to comply with audit requirements.
- In China, the government announced its 2022 GDP goal of achieving about 5.5% growth. Many analysts regarded it as an ambitious goal and raised their expectations for additional macro policy measures.
- This week, the economic calendar will be fully-loaded but will probably face less scrutiny than the war in Ukraine. The headlining financial market event will be the FOMC monetary policy decision on Wednesday, followed by the Bank of England on Thursday and the Bank of Japan on Friday. In the corporate world, Volkswagen AG, Fedex, Enel, among others, will report earnings

ECONOMIC CALENDAR

Monday – France Balance of Trade (January). Spain Retail Sales (January). Eurogroup Meeting. US Consumer Inflation Expectations (February).

Tuesday – China Fixed Asset Investments, Industrial Production and Retail Sales (Jan-Feb). UK Unemployment and Average Earnings (January). France Inflation (Final, February). Eurozone Industrial Production (January), ZEW Economic Sentiment Index (March). US PPI (February). Japan Reuters Tankan Index (March), Balance of Trade (February). Eurozone EcoFin Meeting. OPEC Monthly Report.

Wednesday – China House Price Index (February). Japan Industrial Production (Final, January). Italy Inflation (Final, February). US Retail Sales (February), NAHB Housing Market Index (March), Business Inventories (January). US Federal Reserve Monetary Policy Committee and Economic Projections.

Thursday – Eurozone New Car Registrations (February), Inflation (Final, February). Bank of

England Monetary Policy Committee. US Housing Starts, Building Permits, Industrial Production, Capacity Utilisation (all February), Weekly Jobless Claims. Japan Inflation (February).

Friday – Bank of Japan and Central Bank of Russia Monetary Policy Committees. Eurozone Balance of Trade (January). US Existing Home Sales and Conference Board Leading Index (both February).

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