

July 18, 2022

Monday Briefing – 18th July 2022



HIGHLIGHTS

- Most equity markets rallied into the weekend, but the bounce was not enough to keep the major indexes out of negative territory for the week.
- Oil prices fell to levels unseen since before the conflict in Ukraine and the euro broke below parity with the US dollar for the first time in two decades as fears of a global recession intensified.
- The closely followed 10-2 year Treasury yield curve turned the most negative (most inverted) since 2000.
- A stronger-than-expected US CPI print led to a sizeable initial reaction across asset classes as investors pondered whether it might lead the Fed to move even more aggressively than anticipated.
- The prospect that the Fed might make a larger-than-expected move at its July FOMC was only bolstered by what then happened in Canada, where the central bank surprised with a +100bps hike; its most rapid increase since 1998.
- The European Commission lowered its economic forecasts for Europe and raised its predictions for inflation.

- Italian assets lost significant ground after the ruling government coalition fell. Prime Minister Draghi tried to tender his resignation after the Five Star Movement boycotted a confidence vote in the Senate. Draghi will now attempt to form a new majority after President Sergio Mattarella rejected his resignation.
- Spain's government announced that it will implement windfall taxes on utilities companies and banks to help Spaniards cope with soaring inflation. It plans to raise €7bn over the next two years, build 12,000 new homes in Madrid and make local and medium-distance journeys on state railways free between September and December.
- Chinese stock markets eased as data revealed that the country's economy slowed sharply in the second quarter while a movement among homebuyers to stop paying their mortgages hurt property and banking shares.
- Europe will be at the forefront of market attention next week as the ECB is expected to hike rates for the first time since 2011 on Thursday. Maintenance on the Nord Stream pipeline ends that day too and gas flows from Russia afterwards will be in focus. The EU is expected to detail contingency plans the day before.

ECONOMIC CALENDAR

Monday – US NAHB Housing Market Index (July).

Tuesday – UK Unemployment and Earnings data (May). **Eurozone Inflation (final, June)**. US Housing Starts and Building Permits (June).

Wednesday – China Loan Prime Rate (July). Germany PPI (June). UK Inflation and PPI (June). Eurozone Consumer Confidence (Flash, July). US Existing Home Sales (June).

Thursday – Bank of Japan Monetary Policy Committee and quarterly outlook. **ECB Monetary Policy Committee**. US Conference Board Leading Index (June), Weekly Jobless Claims. UK Consumer Confidence (July). Japan Inflation (June).

Friday – UK Retail Sales (June). France Business Confidence (July). US, UK, Eurozone, Japan Composite PMI (Flash, July).

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