

April 25, 2022

Monday Briefing – 25th April 2022



HIGHLIGHTS

- Shorter-dated Treasury yields continued to surge after Fed policymakers again struck a hawkish tone in public comments. Investors are now betting on half-point rate increases in May, June and possibly July.
- Among Fed officials, St Louis Fed President James Bullard fired the loudest salvo, calling for a 75bps hike, while even relative doves such as San Francisco's Mary Daly have said that a "couple" of half-point increases are probable.
- The repricing across asset classes was swift, with surging yields sending the S&P 500 into a third straight down-week, while the USD continued to rally. Oil and gold prices went lower.
- The bond sell-off briefly took 10-year real yields (which strip out inflation expectations) into positive territory, affecting the most richly valued corners of the equity market like non-profitable tech firms.
- The Japanese Yen which was hovering around a two-decade low against the US dollar did not stop the BoJ from defending the upper limit of its interest rate target range or from announcing fresh bond-buying plans.

- China's stocks, bonds and currency had a tough week as policy stimulus thus far falls short of expectations, while what was initially to be an 8 day lockdown in Shanghai is still effective after 3 weeks. The offshore yuan posted its biggest weekly loss since the surprise devaluation in 2015.
- In its latest World Economic Outlook, the IMF said prospects had worsened "significantly" in the past three months as it reduced its global growth estimate for 2022 from 4.4% to 3.6%.
- Business activity in the eurozone unexpectedly accelerated in April, driven by quicker growth in the services sector as economies emerged from coronavirus lockdowns, according to a survey of purchasing managers.
- On the corporate side, Netflix suffered a painful hangover as the company reported disappointing quarterly results that were headlined by a sequential decline in its global subscriber count, guiding down for the 3rd quarter in a row. However, Tesla helped keep weekly losses in check for the Consumer Discretionary sector, as did upbeat guidance from United Airlines and American Airlines.
- This week, earnings season will shift into high gear with several notable reports on the docket, including Apple, Microsoft, Amazon, Caterpillar and Alphabet.

ECONOMIC CALENDAR

Monday – Japan Leading Economic Index (Final, February) and Unemployment (March).
Germany IFO Business Climate (April).

Tuesday – US Durable Goods Orders (March), House Price Index (February), New Home Sales (March), Conference Board Consumer Confidence (April).

Wednesday – Germany Gfk Consumer Confidence (May). France Consumer Confidence (April).
China Industrial Profits (March). US Goods Trade Balance and Retail Inventories (Adv. March),
Pending Home Sales (March). Japan Retail Sales (March) and Industrial Production (Prel. March).

Thursday – Bank of Japan Monetary Policy Meeting and Quarterly Outlook. Spain Inflation (Prel. April). Italy Business and Consumer Confidence (April), Industrial Sales (February). Eurozone Economic Sentiment, Consumer Confidence and Consumer Inflation Expectations (April). France Unemployment Benefit Claims and Jobseekers Total (March). Spain Business Confidence (April). Germany Inflation (Prel. April). US GDP Growth and PCE Prices (Adv. Q1), Weekly Jobless Claims.

Friday – China Caixin Manufacturing PMI (April). France GDP Growth (Prel. Q1), Inflation (Prel. April), Household Consumption (March) and PPI (March). Eurozone GDP Growth (Flash, Q1) and Inflation (Flash, April). Spain Retail Sales (March). Eurozone M3 Money Supply (March). US

Personal Income and Spending and PCE Index (March), Michigan Consumer Sentiment and Inflation Expectations (Final, April).

Saturday – China NBS Manufacturing and Non-Manufacturing PMI (April).

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