

May 3, 2022

Monday Briefing – 2nd May 2022



HIGHLIGHTS

- Equity markets remained choppy last week with US stocks revisiting the lows of this year's trading range on the perspective of weaker global growth and geopolitical uncertainty. The S&P 500 Index again moved into correction territory, while the technology-heavy Nasdaq and small-cap Russell 2000 Index fell into bear markets.
- Last week was the busiest week of the Q1 earnings season, with more than one-third of the S&P 500 reporting results, including the mega-cap tech names.
- Results were mixed; earnings reports from Microsoft and Google's parent company Alphabet largely offset each other in Wednesday trading, with positive guidance from the former helping compensate for an earnings disappointment from the latter.
- A similar dynamic appeared to be set up for Friday from two other mega-cap companies, Amazon and Apple. Amazon shares plunged 14% after the company surprised investors with its first quarterly loss since 2015, due in part to weaker online sales. Apple stock originally rose on strong results, but cautious guidance for the current quarter because of supply chain challenges drained the gains later in the session.
- The initial estimate for Q1 GDP in US showed an unexpected contraction with a decline

of 1.4%, down from 6.9% growth in the previous quarter. This sharp deceleration was due to a drag from exports, a decline in inventory spending following a sizable increase in the prior quarter, and to a lesser extent a pullback in government spending. But consumer spending continued to grow at a solid pace.

- Russia announced that it was cutting off natural gas supplies to Poland and Bulgaria for refusing to pay in roubles for gas. Financial markets will likely view this as the start of a general weaponization of energy
- Late in the week, China's Politburo pledged to boost stimulus, issuing a sweeping set of pledges that was light on details but enough to spark steep gains in stocks and the yuan.
- This week's Fed meeting should be the primary catalyst for the market's direction in the near term, as well as the US monthly nonfarm payrolls on Friday.

ECONOMIC CALENDAR

Monday – Japan, Eurozone, US Manufacturing PMI (Final, April). Japan Consumer Confidence (April). Germany Retail Sales (March). Italy Unemployment Rate (March).

Tuesday – Germany Unemployment Rate (April). Eurozone Unemployment Rate and PPI (March). US JOLTs Job Openings and Factory Orders (March). Eurogroup Meeting.

Wednesday – Germany Balance of Trade (March). Eurozone and US Services PMI (Final, April). Eurozone Retail Sales (March). US ADP Employment Change (April), Balance of Trade (March) and Total Vehicle Sales (April). Federal Reserve FOMC Meeting.

Thursday – China Caixin Composite PMI (April). Germany Factory Orders (March). France Industrial Production (March). UK Composite PMI (Final, April). Bank of England Monetary Policy Committee. US Unit Labour Costs and Nonfarm Productivity (Preliminary, Q1), Weekly Jobless Claims.

Friday – Germany and Spain Industrial Production (March). Italy Retail Sales (March). China Current Account (Preliminary, Q1). US Nonfarm Payrolls, Unemployment Rate, Average Hourly Earnings, Participation Rate (April) and Consumer Credit Change (March).

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