May 23, 2022

Monday Briefing – 23rd May 2022

HIGHLIGHTS

- Stocks took another beating last week with Wall Street's equity benchmark posting its biggest single-day drop since June 2020 on Wednesday amid growing concern that high inflation is cutting into corporate profit margins. The week delivered the 7th consecutive weekly decline for the S&P500, the first since 2001.
- At its low intraday point on Friday, the S&P 500 Index was down roughly 20.9% from its January high, exceeding the 20% threshold for a bear market and placing it back at levels last seen in February 2021.
- Bets that robust earnings can help investors weather this year's turbulence were thrown in doubt after US consumer titans signalled growing impact of high inflation on margins and consumer spending.
- Target Corp. sank the most since Black Friday in 1987, a day after Walmart Inc. also spiralled lower.
- Meanwhile, Federal Reserve officials reaffirmed that tighter monetary policy lies ahead,

with Fed Chair Jerome Powell indicating that the Fed will continue to raise rates steadily until it sees "clear and convincing" evidence that inflation is moving lower.

- The European Commission adopted €300bn Energy Transition plan, called REPowerEU, to move away from Russian dependence through energy savings, diversification of energy supplies, boosting green energy and financing new pipelines and liquified natural gas terminals. Unused loans from the pandemic recovery program will provide most of the cash for the plan.
- The People's Bank of China (PBOC) cut the 5-year loan prime rate, which is the reference rate for home mortgages, for the second time this year from 4.6% to 4.45%, the largest cut on record, as Beijing seeks to revive the ailing housing sector to prop up the economy.
- In other news, Japan's national CPI rose +2.5% y/y in April, the highest for the headline rate since October 2014. The previous month recorded a +1.2% increase.
- This week, global preliminary PMIs for May (Tuesday) will be front and centre for investors following the growth concerns. Central banks will remain another key topic as we will get the latest FOMC meeting minutes (Wednesday) and the US April PCE, the Fed's preferred inflation proxy, on Friday. Corporates reporting results will include spending bellwethers Macy's, Dollar General and Costco.

ECONOMIC CALENDAR

Monday – UK House Prices index, Germany IFO Business Climate, Belgium Business Confidence, Australia PMI.

Tuesday – Japan/France/Germany/UK/US PMIs, France Business Confidence, US New Home Sales.

Wednesday – Germany GfK Consumer Confidence, Germany Q1 GDP (final), France Consumer Confidence, US Durable Goods Orders, FOMC May 4th meeting minutes.

Thursday – Italy Consumer Confidence, US Q1 GDP 2nd release.

Friday – Spain Retail Sales, Eurozone M3 Money Supply, US Personal Income & Personal Spending, US PCE, University of Michigan Sentiment.

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