October 17, 2022

Monday Briefing – 17 October 2022

HIGHLIGHTS

- Last week was dominated by the US CPI for September that came in above expectations, while the core CPI moved to a new four-decade high. Increases in shelter, food, and medical-care costs drove the inflation growth, a hawkish message that the signs of persistent price pressures have not abated.
- On fixed income markets, the hot inflation reading pushed the day that the Fed will step off the monetary breaks even further out into the future. Treasury yields rose over the week, with the 10-year US Treasury note yield moving above 4.0%, while the two-year yield hit 4.5%, its highest level since 2007.

  • On the equity market, stocks fell sharply on the news but quickly rebounded to end up by more than 2.5%, an impressive intra-day turnaround of more than 5.5%. For the week, major equity indexes were mostly lower.
- Such confusing market action sent people into narrative creation overdrive, citing short covering, stretched bearish positioning, technical triggers, and inflation fatigue as rational for one of the biggest intra-day reversals.
- In the UK, investors flocked out of commercial property funds following the bond market

buyer strike, raising the risk of an asset fire sale. Major funds imposed limits on withdrawals, in some sort of illustration of what the IMF warned, namely amplified shocks of illiquid open-ended funds.

- Liz Truss scrapped her plan to freeze corporation tax in another dramatic U-turn, hours after she fired her ally Kwasi Kwarteng and replaced him with Jeremy Hunt as UK Chancellor of the Exchequer, following three weeks of market turmoil.
- The IMF now projects global GDP to grow 3.2% this year and 2.7% in 2023, the latter marking a 0.2% downgrade from the July forecast. With more than a third of the global economy expected to contract this year or next, "2023 will feel like a recession" to many people, the IMF writes, adding that "the worst is still to come."
- On Friday, major banks and financial institutions kicked off their earnings reports. For most of them, performance was mixed, hit by a drop in investment banking activity and provisions, despite big increases in interest revenue.
- In M&A news, Kroger announced that it has agreed to buy rival US grocer Albertsons for $34.10 per share in a transaction valued at $24.6 billion, a deal that pairs up two of the four largest food retailers in the United States. The deal will obviously be subject to antitrust scrutiny by the US Federal Trade Commission.
- For this week, Chinese politics are likely to dominate the news flow, with a stream of macro data also incoming. On top of that, earnings season will move up a gear with big names reporting (i.e., Netflix, ASML, IBM, Johnson & Johnson, Tesla, Bank of America, Procter & Gamble and Goldman Sachs).

Disclaimer

All financial data and/or economic information released by this Publication (the "Publication"); (the "Data" or the "Financial data and/or economic information"), are provided for information purposes only, without warranty of any kind, including without limitation the warranties of merchantability, fitness for a particular purpose or warranties and non-infringement of any patent, intellectual property or proprietary rights of any party, and are not intended for trading purposes. Banque Internationale à Luxembourg SA (the "Bank") does not guarantee expressly or impliedly, the sequence, accuracy, adequacy, legality, completeness, reliability, usefulness or timeless of any Data. All Financial data and/or economic information provided may be delayed or may contain errors or be incomplete. This disclaimer applies to both isolated and aggregate uses of the Data. All Data is provided on an "as is" basis. None of the Financial data and/or economic information contained on this Publication constitutes a solicitation, offer, opinion, or recommendation, a guarantee of results, nor a solicitation by the Bank of an offer to buy or sell any security, products and services mentioned into it or to make investments. Moreover, none of the Financial data and/or economic information contained on this Publication provides legal, tax accounting, financial or investment advice or services regarding the profitability or suitability of any security or investment. This Publication has not been prepared with the aim to take an investor's particular investment objectives, financial position or needs into account. It is up to the investor himself to consider whether the Data contained herein this Publication is appropriate to his needs, financial position and objectives or to seek professional independent advice before making an investment decision based upon the Data. No investment decision whatsoever may result from solely reading this document. In order to read and understand the Financial data and/or economic information included in this document, you will need to have knowledge and experience of financial markets. If this is not the case, please contact your relationship manager. This Publication is prepared by the Bank and is based on data available to the public and upon information from sources believed to be reliable and accurate, taken from stock exchanges and third parties. The Bank, including its parent,- subsidiary or affiliate entities, agents, directors, officers, employees, representatives or suppliers, shall not, directly or indirectly, be liable, in any way, for any: inaccuracies or errors in or omissions from the Financial data and/or economic information, including but not limited to financial data regardless of the cause of such or for any investment decision made, action taken, or action not taken of whatever nature in reliance upon any Data provided herein, nor for any loss or damage, direct or indirect, special or consequential, arising from any use of this Publication or of its content. This Publication is only valid at the moment of its editing, unless otherwise specified. All Financial data and/or economic information contained herein can also quickly become out-of- date. All Data is subject to change without notice and may not be incorporated in any new version of this Publication. The Bank has no obligation to update this Publication upon the availability of new data, the occurrence of new events and/or other evolutions. Before making an investment decision, the investor must read carefully the terms and conditions of the documentation relating to the specific products or services. Past performance is no guarantee of future performance. Products or services described in this Publication may not be available in all countries and may be subject to restrictions in some persons or in some countries. No part of this Publication may be reproduced, distributed, modified, linked to or used for any public or commercial purpose without the prior written consent of the Bank. In any case, all Financial data and/or economic information provided on this Publication are not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law and/or regulation. If you have obtained this Publication from a source other than the Bank website, be aware that electronic documentation can be altered subsequent to original distribution.

As economic conditions are subject to change, the information and opinions presented in this outlook are current only as of the date indicated in the matrix or the publication date. This publication is based on data available to the public and upon information that is considered as reliable. Even if particular attention has been paid to its content, no guarantee, warranty or representation is given to the accuracy or completeness thereof. Banque Internationale à Luxembourg cannot be held liable or responsible with respect to the information expressed herein. This document has been prepared only for information purposes and does not constitute an offer or invitation to make investments. It is up to investors themselves to consider whether the information contained herein is appropriate to their needs and objectives or to seek advice before making an investment decision based upon this information. Banque Internationale à Luxembourg accepts no liability whatsoever for any investment decisions of whatever nature by the user of this publication, which are in any way based on this publication, nor for any loss or damage arising from any use of this publication or its content. This publication, prepared by Banque Internationale à Luxembourg (BIL), may not be copied or duplicated in any form whatsoever or redistributed without the prior written consent of BIL 69, route d'Esch ı L-2953 Luxembourg ı RCS Luxembourg B-6307 ı Tel. +352 4590 6699 ı www.bil.com.