November 14, 2022

Monday Briefing – 14 November 2022

HIGHLIGHTS

- Major equity indices recorded strong gains and bond yields fell sharply last week as investors breathed a collective sigh of relief after a reassuring inflation print in the US. The S&P 500 Index recorded its best week since June and hit its best intraday level in two months.
- US headline CPI came in at 7.7% for October, lower than the 8% expected and down from 8.2% in the prior month. The core reading which removes volatile components such as food and energy fell back to 6.3% from a 40-year high of 6.6%. In all, the Fed still has work to do, but things are moving in the right direction. Inflationary pressures are still particularly prevalent in the services sector while prices of goods (especially autos) have benefited from some improvements in supply chains.
- The results of the US Midterm elections probably mean that investors can prepare for gridlock when it comes to additional legislative action: The Republicans won a majority in the House of Representatives while the Democrats maintained control of the Senate.
- The European Commission warned of an imminent recession saying it expects Euro Area GDP to shrink by 0.5% in Q4 and by 0.1% in Q1 of next year. Across the Channel, UK

GDP fell by 0.2% in Q3, the first quarterly decline since the start of 2021, when the country was in a coronavirus lockdown.

- The governor of the BoJ, repeated the message that the "one-sided and rapid weakening of the yen is undesirable for the economy," according to Bloomberg. The yen is trading around a 32-year low against the US dollar, largely due to monetary policy differentials.
- Stocks showed further positive momentum at the end of the week on the news that China has shaved its required quarantine for close contacts and international travellers by two days, marking the first relaxation of restrictions of zero-Covid rules since the party Congress last month.
- FTX, the world's second-largest Crypto exchange was reported to have filed for bankruptcy as customers rushed to withdraw funds. Due to "poor internal labelling of bank-related accounts" said FTX CEO Sam Bankman-Fried, calculations were "substantially off" as to the sums the exchange had lent out to users to let them make leveraged bets.
- This week, markets will be paying attention to Biden-Xi talks in Bali. The in-person discussions will focus on deepening their respective understanding of each other's priorities and intentions

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