



CIO OFFICE MORNING MARKET WRAP – 5th July, 2022.

With US markets being closed for national holiday, global volumes were lower on Monday, but markets were overall well oriented. Stocks rose +0.5% in Europe, +0.8% in Japan and were flat on average in emerging markets where Hong-Kong kept on outperforming. US treasuries didn't trade and the price of Brent crude oil was down -2.5% to \$112. Meanwhile, gold was marginally higher and major crypto currencies were up +2 to +3%.

There was no major economic data release, however for the first time in three decades, Germany posted a monthly trade deficit of EUR -1bn for May, a shock compared to the median expectation of a +1.6bn surplus. Exports fell -0.5% compared to April, with disruptions in supply chains and a sharp decrease in goods sold to Russia. Imports rose +2.7% mostly due to energy prices. June should be under significant pressure as the volume of gas delivered to Germany via Nord Stream 1 was reduced by 60% by Gazprom. Uniper, one of Germany's largest energy company, is in talks with the government on a possible bailout package of EUR 9bn.

As we write this morning, markets are well oriented in Asia amid speculation the Biden administration is about to remove some tariffs on Chinese consumer goods, in order to help counter inflation. In addition, services PMIs for June were just released for Japan and China. If the former was in line with expectations at 54, the latter was way better. The Caixin Services came out at 54.5 which compares to a median forecast of 49.6 and a previous print for May at 41.4. It's a serious reopening. Stocks are up +!% in Japan, +1.5% in Hong-Kong and Korea and +0.1% in China's onshore markets. In Tokyo trading, US Treasuries are lower. Yields are gaining on the entire curve, with the 2-year adding 11 basis points to 2.94% and the 10-year +8 basis points to 2.96%.

A barrel of Brent crude oil trades around \$114, while future contracts on Western stock markets are up +0.8% on average. Gold is stable around \$1810 while bitcoin and ether are both up 2.4% at respectively \$20,200 and \$1,150. Singapore is considering a tougher regulation on crypto and decentralized finance after several high profiles blow-ups. Limits on retail participation and leverage are among the possibilities.

Today will see the release of services PMIs for most European countries as well as for the UAE. The US will follow tomorrow with the ISM Services, but will publish today factory orders and durable goods. We will also hold our monthly tactical asset allocation committee.

Stay safe.

Chief Investment Office
Wealth Management,
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