



## CIO OFFICE MORNING MARKET WRAP – 11th March, 2022. ALSO AVAILABLE ON ALEXA.

Broad risk off sentiment in equity markets, as another round of talks between Russia and Ukraine ended with no positive developments after increased optimism yesterday of a diplomatic breakthrough. This raises worries on a shortage in essential agricultural and industrial commodities and further increase in prices. The humanitarian toll in Ukraine continues to rise with no respite in spite of increasing economic and financial sanctions on Russia. Russia's invasion has resulted in about \$100 billion worth of Ukrainian assets and infrastructure being lost or destroyed, according to Ukrainian President's chief economic adviser. US president Biden is set to call for ending Russia's most favored nation trading status, increasing tariffs on Russian imports. The Senate has approved \$13.6 billion in aid for Ukraine as part of a \$1.5 trillion spending bill.

US inflation numbers were worrying at 7.9% y/y CPI increase in February and at a 40 year high. Core CPI, which excludes food and energy, rose 0.5% m/m. and 6.4%, y/y. The Fed is set to proceed with a 25 bps interest rate hike this month, and expectations are the federal funds rate will move closer to the neutral rate a level that neither aids nor constrains economic activity —estimated to be around 2.5%. Treasuries fell for a fourth-straight session with the US 10 year yield at 1.96%, the U.S. dollar was higher, the Yen at a 5 year low against the USD on prospects of a widening interest rate differential, gold up at \$1993 and oil lower with

Brent at \$109.5/ barrel. Following nickels extraordinary price swings the LME won't reopen the nickel market today and plans to publish a notice on price bands as soon as possible. Inflation worries in Europe too, in the wake of the Russian/Ukraine war, had the ECB leaving its benchmark interest rate unchanged but announcing an acceleration in winding down its asset purchases. Will slow bond buying to 30 billion euros in May, 20 billion in June and may halt the program in the third quarter. President Christine Lagarde noted that data is more important than time horizon for a rate hike decision and it is keeping options open. She also added that risks to the economic outlook have increased substantially and are tilted to the downside due to the impact of the war in Ukraine. 2022 inflation forecast to 5.1% from 3.2% previously.

Global equities fell over a percent yesterday reversing day-before's gains. Whilst Asian markets had a good day from China to India and the UAE, heading West the European and US markets ended the day in the red. Though US equities fell less than Europe yesterday the Nasdaq is back in bear territory down 20% from its high. This morning Asia markets from Japan to China trading down. A rout in China tech stocks with the Hang Seng Index almost 4% down this morning and the Golden Dragon China Index which represents China companies listed in the US down 10% yesterday amid renewed regulatory concerns. The US SEC said that Yum China, BeiGene, Zai Lab, HutchMed, and ACM Research faced delisting. The companies the first Chinese groups to have filed their 2021 annual reports, will be forced to delist from the NYSE and Nasdaq if the US accounting oversight board is unable to inspect their audit records for three years. Beijing has blocked domestic companies and their Chinese auditors from complying with such requests from foreign regulators. This puts in risk over \$2tn Chinese listings in the US.

In other news: U.S. jobless claims rose more than expected to 227,000 last week from an upwardly revised 216,000. Amazon rallied on the back of its share buyback and 20-1 share split announcement. More US companies pull out of Russia. On the COVID front, worries persist as China's daily Covid-19 caseload exceeded 1,000 for the first time in two years.

Stay safe.

**MAURICE GRAVIER**  
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