



## CIO OFFICE MORNING MARKET WRAP – 23rd June, 2022.

Fed Chair Powell testified before the US Senate yesterday and said in essence that an economic recession is “certainly a possibility” as achieving a soft landing would be “very challenging”. These comments triggered a rally in sovereign-bonds which in turn helped equity indices recover their earlier losses. Global stocks fell -0.6% on average in developed markets and -0.9% in emerging ones yesterday, but the US closed down a modest -0.1% after having fallen as much as -1.3% during the session. Interest rates were materially lower across the curve. The US 10-year Treasury yield lost -12 basis points to 3.16% while the 5-year decreased -13 basis points to 3.23%, and the 2-year approached the 3% mark. The price of Brent crude oil moved down -2.5% to just below \$112, after a rise in US stockpiles was reported. The dollar was marginally weaker, down -0.1% against trade-weighted counterparts.

With regards to data, the Consumer Price Index came out higher than expected in the UK: the headline number reached a +9.1% year-on-year increase of which 5.9% for the core index, which excludes food and energy. Inflation numbers were also above forecast in both Canada and South Africa. In the Eurozone, the preliminary June consumer confidence number disappointed with another deterioration. At -23.6, the index is close to its historical low. This is a concern: consumer spending so far has been resilient, with a robust labor market in particular, but consumer confidence confirm it should weaken with inflation and tighter financial conditions looking forward. Coming back to the Fed, chairman Powell confirmed that fighting inflation is the priority: it has to go back to the 2% target, which frankly sounds optimistic. He

didn't provide specific guidance on policy, simply saying it would be data-dependent and nimble. Other Fed officials however kept on suggesting that the next move could be another 75 basis points rate increase in July. Meanwhile, the Czech National Bank delivered a jumbo hike of 125 basis points yesterday.

The summer that just started will continue to be all about inflation and recession risk, which are of course a recipe for volatility. Insane, unpredictable intraday swings in prices across asset classes should continue, until some good news arise on the inflation front. As we write this morning, markets in Asia are reasonably well oriented. On one hand, Treasuries extend their rally in Tokyo trading, with the US 10-year now at 3.15%, and oil prices continue to fall, with the barrel of Brent trading down -2%, just below \$110. On the other, stocks benefit from lower interest rates but without euphoria. Equity indices are up +0.4% in Japan and in China, +0.9% in Hong-Kong but slightly down in Korea. Major crypto currencies recover from yesterday's drop: bitcoin is at \$20,400 and ether at \$1,086. In his opening speech to the virtual BRICS summit, President Xi Jinping criticized Western sanctions against Russia and blamed NATO for their responsibility in the war. He interestingly explicitly mentioned the possibility to see the global economy splitting into two distinct, mutually exclusive zones.

Today will provide flash PMIs for most major regions, and it started well with Japan earlier today where the composite index came out at 53.2, marking an improvement from the previous month. Similar measures are expected at 54 for the Eurozone, 52.4 for the UK and 52.9 for the US.

Stay safe.

Chief Investment Office  
Wealth Management,  
Emirates NBD.

# DISCLAIMER

## Reliance

Emirates NBD Bank PJSC (“Emirates NBD”) uses reasonable efforts to obtain information from sources which it believes to be reliable, however, Emirates NBD makes no representation that the information or opinions contained in this publication are accurate, reliable or complete and should not be relied on as such or acted upon without further verification. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this publication. Data/information provided herein are intended to serve for illustrative purposes and are not designed to initiate or conclude any transaction. In addition this publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to the determination of whether a particular investment activity is advisable. This publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness provided thereto by unaffiliated third parties. Moreover, the provision of certain data/information in this publication is subject to the terms and conditions of other agreements to which Emirates NBD is a party. Anyone proposing to rely on or use the information contained in this publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts. Further, references to any financial instrument or investment product are not intended to imply that an actual trading market exists for such instrument or product. The information and opinions contained in Emirates NBD publications are provided for personal use and informational purposes only and are subject to change without notice. The material and information found in this publication are for general circulation only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated

## Confidentiality

This publication is provided to you upon request on a confidential basis for informational purposes only and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal. The investor may not offer any part of this publication for sale or distribute it over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet without the prior written consent of Emirates NBD or construct a database of any kind.

## Solicitation

None of the content in this publication constitutes a solicitation, offer, opinion, or recommendation by Emirates NBD to buy or sell any security, or to provide legal, tax, accounting, or investment advice or services regarding the profitability or suitability of any security or investment and further does not provide any fiduciary or financial advice.

## Third party

The security or investment described in this publication may not be eligible for sale or subscription to certain categories of investors. This publication is 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 or regulation. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD. The investor may not use the data in this publication in any way to improve the quality of any data sold or contributed to by the investor to any third party.

## Liability

Anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. Under no circumstances, including but not limited to negligence, shall Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if Emirates NBD has been advised specifically of the possibility of such damages, arising from the use of this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business. This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, the risks should be fully understood and a determination made as to whether a transaction is appropriate given the person's investment objectives, financial and operational resources, experiences and other relevant circumstances. The obligations relating to a particular transaction (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk should be known as well as any regulatory requirements and restrictions applicable thereto.

## Forward looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute “forward-looking statements”. Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “seek”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. Undue reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

