



CIO OFFICE MORNING MARKET WRAP – 24th May, 2022.

Asian markets mostly lower this morning following a down day yesterday for Hong Kong and China, with Japan a standout, which was up. India closed flat while UAE markets fell over 2% led by banks. U.S. equities saw the S&P 500 up 1.86% and the Nasdaq Index almost the same, a good Monday post the S&P 500 posting seven-weeks of losses and briefly dipping into bear market territory last Friday. Europe finished up following comments from ECB President Christine Lagarde who indicated that negative rates are likely to be over by the end of Q3. Germany's Bund yield rose by 0.07% to 1.01%. ECB officials estimate the neutral rate for the eurozone at between 1 and 2% but it is not certain whether the ECB will raise rates above that level depending on economic growth data. US Treasuries are slightly down, lifting yields, and the U.S. dollar dropped. The dollar has set several 20-year highs in recent weeks. Oil prices a little lower on signs the EU is struggling to agree on an embargo on Russian exports. Gold up a percent to \$1854. Bitcoin trading down this morning as is Ether by 3%.

All global sectors traded up and global equities gained 1.5% yesterday. Markets were supported by President Biden saying he is considering lifting some Chinese tariffs to help combat inflation. Shanghai reopening hopes also a positive, though Beijing lockdowns now a concern. Several investment banks have downgraded China growth estimates. Dollar weakness is another tailwind, with the guidance drag flagged during Q1 US earnings season. Yesterday's equity bounce is also from oversold conditions and depressed sentiment and positioning indicators. Global equities have fallen 15% year to date with EM and DM in synch.

Much debate in the news whether stocks have seen sufficient capitulation, along with speculation about the potential for drawdowns under recession scenarios. Persistent inflation and the corresponding accelerated monetary policy to combat it continue to be headwinds, as well as fears of slowing economic growth and the ongoing conflict in Ukraine. Ukraine ruled out ceasefire that involves ceding territory to Russia. The Ukrainian president has urged the international community at the World Economic Forum at Davos to help fund reconstruction after the war, estimated at \$500bn.

Davos talks focus on the impact of deglobalization and localization and on a similar note, US President Biden has launched a new trade initiative with 12 Indo-Pacific countries, including Japan, Australia, New Zealand and South Korea. India and seven south-east Asian nations will also join the Indo-Pacific Economic Framework, which includes nations that represent 40% of the global economy.

In equity news, Zoom had standout results and shares up post market by 18% while Snap disappointed. Snap's warning hit other social media companies, taking Meta, Pinterest, Twitter and Alphabet stocks lower. Cloud computing company, VMWare as per reports is in advanced talks to be acquired by chipmaker Broadcom. Apple looking to boost production outside of China, partly due to concerns about strict Covid policies. Amazon to shed excess warehouse capacity as the pandemic-driven surge in shopping slows. The economic calendar is set to heat up this week Today we get Eurozone S&P Global PMIs, US new home sales. FOMC minutes Wednesday. US GDP, initial jobless claims Thursday. US core PCE price index; personal income and spending; wholesale inventories; University of Michigan consumer sentiment Friday.

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Chief Investment Office
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