



CIO OFFICE MORNING MARKET WRAP – 27th April, 2022.

After an initial positive start, Tuesday ended badly for financial markets. Global stocks fell -1.1% on average in developed markets and -0.3% in emerging ones, but the US closed on a material sell-off: the S&P500 fell closed -2.9% lower and the technology-rich Nasdaq almost -4%, bringing its year-to-date retreat to -20%. Bonds were sought after. The 10-year Treasury yield lost -10 basis points to 2.72%, and the 5-year shed -13 basis points to 2.73%. By contrast, the price of Brent crude oil added +2.6% to \$105. The risk aversion supported the dollar, up +0.2% against trade-weighted counterparts, reaching a 2-year high.

It looks like we are in a capitulation pattern – which by nature is absolutely unpredictable in the short-term: it can worsen or suddenly reverse. Market participants' fragile sentiment, with the war in Ukraine and an inflexible Fed in the background, is pushed lower by a combination of disappointing earnings from Texas Instruments and Alphabet, and deteriorating growth perspectives. China is struggling with Covid, with port activity and construction being materially affected. Russia's announcement that they will stop gas deliveries to Poland and Bulgaria from today is a clear threat to Europe as a whole, with the potential to seriously damage the outlook. European natural gas prices jumped by more than +15% and the euro fell to its lowest in 5 years. On the Q1 earnings front however, everything was not bad: Microsoft delivered a solid set of numbers, beating expectations thanks to its cloud business, and Visa announced that purchase volumes soared by +17% overall despite the negative impact from the suspension in Russia. Both stocks are up more than +5% in post market extended trading hours. GM also topped analysts' estimates.

This is one of the reasons why Asian markets are reasonably resilient as we write this morning, as US equity futures stabilize. The Nikkei is sharply down, losing -1.8%, and Korea is -1% lower after disappointing numbers from memory manufacturer SK Hynix, but stock markets are slightly up in both Hong-Kong and China's domestic markets. President Xi Jinping called for "all-out efforts" to boost infrastructure spending to bolster the economy, and some -symbolic- easing of restrictions is considered in some areas of Shanghai as cases have started to -marginally- drop. Interest rates are slightly higher, with the 10-year adding +3 basis points to 2.75%, and oil prices are holding yesterday's gains.

With regards to economic data, Korea's GDP growth moderated in Q1 to +3% which however remains above trend. Ahead of tomorrow's release of US Q1 GDP, March durable goods posted a strong increase, boosted by auto, while home sales disappointed, probably impacted by higher borrowing costs. A consumer confidence indicator for April was stable compared to March in the US, but similar measures in Germany and France released today could be less good. It would be interesting, if not crucial, to also look at March retail sales in Russia. Corporate earnings will remain the key focus, especially Meta, Facebook's parent company. Numbers will be particularly dissected after the rare miss from Alphabet indicated adverse impact from both competition from Tik Tok and changes in user data collection from Apple. Other results today include GSK, Mercedes-Benz, Boeing Credit Suisse, Deutsche Bank or Sinopec.

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