



## CIO OFFICE MORNING MARKET WRAP – 28th March, 2022. ALSO AVAILABLE ON ALEXA.

A second week of gains for global equities and a sell off in bond markets with the 10 year US treasury yield at 2.52% and the 2 year at 2.35% this morning, continuing last week's rise. Contradictions in market behaviour are being driven by a hawkish Fed Chair who after delivering a 'market friendly' 25bp hike talked of two consecutive 50bp hikes in May/June. A flatter rate curve is now pricing in an increased risk of recession. Energy and commodity prices already elevated went up even more with Russia and Ukraine now into their 2nd month of conflict and increasing sanctions on Russia. Also worries are rising as to how aggressive the Fed will be in combatting the elevated inflation pressures. The Fed Chair vowed strong action on inflation, reiterating that rate increases will continue until the rise in prices is under control, conceding that Fed officials "widely underestimated" how long pricing pressures would last. On the macro front disappointing data: the University of Michigan consumer sentiment is at a 10 year low indicating the demand cycle may be peaking. However global equities (-5.7% YTD) are back to levels before the Ukraine Russia war with U.S. equities gaining close to 2% last week, following the week before gains of 6.1%. Tech, including unprofitable tech has also rebounded in spite of rising yields. European equities are lagging US returns, after leading in the earlier part of 2022.

Emerging market performance is being led by commodity exporters the GCC and LATAM. The joint announcements from policymakers in China the week before were not sufficient to turn the market around and the MSCI China is still down -16% year to date. Gains in China and Hong Kong markets were short lived as investors await continuity on the Government reassurances. The market is facing multiple headwinds from repercussions from the Russia/Ukraine conflict, ongoing weakness in the property market and an Omicron outbreak in Mainland China and Hong Kong. Delisting risk for US listed Chinese companies is not over. Profits from China's industrial companies rose 5% y/y as per data released this morning. Earning downgrades continue for China tech. Tencent, last quarter declared single digit revenue growth, as the regulatory crackdown has affected gaming, ecommerce and digital payments.

The energy sector had a strong week as oil prices continue to rise, though Brent and WTI are trading down by 3% this morning with Brent futures at \$116/ barrel. OPEC+ meets on Thursday. Western allies are in a serious effort to reduce Europe's dependence on Russian energy. The U.S. and the European Commission are creating a task force to diversify supplies and reduce the demand for natural gas. As part of these efforts, the U.S. will supply additional 15 billion cubic meters of LNG to European countries by the end of 2022.

This morning Asian markets are mixed with Hong Kong stocks up and Japan trading down. Bitcoin is trading higher turning positive for the year. Gold is lower at \$1943. Next week's economic data releases are important in terms of inflation and growth direction starting with the U.S. Conference Board's Consumer Confidence report and the job openings and labor turnover survey (JOLTS). Thursday we get February personal income and spending report and jobless claims and on Friday the March releases of the ISM Manufacturing Index and nonfarm payrolls. From China—Manufacturing and Non-manufacturing PMI's. Japan—retail sales, preliminary industrial production, and the Q1 Tankan Large Manufacturing Index. Eurozone - economic confidence and the region's preliminary March consumer price inflation data, on Friday.

Stay safe.

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