



CROSS WEEKLY

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12 July 2022

Brief Weekly Overview

China is planning to sell 1.5 trillion yuan (220 billion USD) of bonds in an unprecedented plans to boost infrastructure spending and support it's economy.

Charlene Chu, a noted analyst for pointing out risks in China's shadow banking system sees pain in China high yield debt is only beginning. She believes while there is little probability of a financial crisis, the debt overhang means that China's economic growth will not be as high as before.

Fed minutes show the Fed more concerned about inflation than recession and is willing to raise rates to more restrictive levels.

Commodities drop 20% since June highs on recession fears.

US and allies discuss capping oil prices at \$40-60 to lower Russia's revenue. (Not mentioned is also how it will ease their inflation pressures, and also what happens if Russia refuses to sell).

Rents drop in the US, a positive sign for peaking inflation given it has a large weight in core CPI.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	600.82	-1.27%	0.68%	-20.40%
S&P 500 Index	USD	3,854.43	-1.15%	1.82%	-19.13%
Dow Jones Industrial Average	USD	31,173.84	-0.52%	1.29%	-14.21%
Nasdaq Composite Index	USD	11,372.60	-2.26%	3.12%	-27.31%
STXE 600 PR Index	EUR	415.02	-0.50%	1.92%	-14.92%
FTSE 100 Index	GBP	7,196.59	0.00%	0.38%	-2.55%
MSCI Asia Ex. Japan Index	USD	641.39	-1.82%	-1.80%	-18.74%
Nikkei 225 Tokyo	JPY	26,812.30	1.11%	1.59%	-6.87%
Shanghai A Share Index	CNY	3,472.70	-1.27%	-2.50%	-8.96%
MSCI EM Index	USD	981.15	-1.84%	-1.95%	-20.36%
FIXED INCOME					
US2YT Yield	-	3.0718	-3.29bps	11.85bps	233.96bps
US10YT Yield	-	2.9928	-8.75bps	-2.02bps	148.27bps
Bunds 10Y Yield	-	1.2460	-9.9bps	-9.01bps	142.3bps
BBG USD HY Corp	-	8.5800	-1bps	-31bps	437bps
FOREX					
Euro/US Dollar	USD	1.0040	-1.42%	-4.24%	-11.70%
US Dollar/Japanese Yen	JPY	137.44	0.98%	1.27%	19.43%
US Dollar/Singapore Dollar	SGD	1.4060	0.51%	1.11%	4.23%
British Pound/US Dollar	USD	1.1892	-1.17%	-2.35%	-12.12%
US Dollar/ Chinese Yuan	CNY	6.7190	0.36%	0.29%	5.71%
Australian Dollar/ US Dollar	USD	0.6734	-1.79%	-2.45%	-7.28%
US Dollar Index	-	108.021	0.95%	3.19%	12.91%
GOLD / OIL					
Brent Crude	USD	107.1	0.07%	-6.72%	37.70%
Gold Spot Price	USD	1733.96	-0.49%	-4.06%	-5.21%



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EQUITIES

- US equities finished lower on Monday amidst minimal trading activity, as investors watched out for signs of recession in inflation markers and earnings. The S&P 500 Index was down by 1.15%.
- European stocks fell on Monday, with the Stoxx Europe 600 Index falling by 0.5% by market close. Traders remain apprehensive for earnings release and the Covid-19 situation in China.
- Asian stocks dropped as investors weighed in on the risks from the rebound of Covid-19 patients in China and the possibility of a lockdown that would have a negative impact on corporate earnings. The MSCI Asia Pacific Index was down 0.9%.

FIXED INCOME

- The yield on the 10-year US Treasury note, which sets the tone for corporate and household borrowing costs worldwide, eased to below the 3% mark as investors continued to assess recession risks against the outlook of interest rate hikes by the Federal Reserve. Risk sentiment was muted to start the second week of July, as a batch of economic data, including June consumer prices, will give further information on the extent of the Fed's aggressiveness in its next decision.

FOREX

- USD & EUR: Worries over global slowdown risks have persisted, particularly focused on Europe, with the USD the main beneficiary and European G10 currencies the main laggards, as concerns about natural gas supplies hit home. EURUSD looks headed towards or even below parity if gas flows from Russia are interrupted entirely.
- GBP: GBP was up following Boris Johnson's resignation. While this development raises the prospect of looser fiscal policy later this year or better relations with the EU.

MACRO

- European stocks dropped on Monday as traders braced for a crucial earnings season and more key inflation data. The Stoxx Europe 600 index (+0.5%) fell by the close in London, trimming an earlier slump of 1.5%. The declines followed three consecutive days of gains, with automakers, travel and leisure and miners leading the retreat. Defensive sectors like health care and utilities outperformed. Uniper (-15%) extending a recent plunge, after Germany is ready to make a decision on a bailout for the utility "soon" but ongoing talks with the company are "difficult." Meanwhile luxury stocks including Louis Vuitton-owner LVMH (-0.4%) weakened as the China Covid outbreak spurred demand concerns. Elsewhere, investors in the U.K. will be watching developments surrounding the political uncertainty in the country after Prime Minister Boris Johnson announced he would be resigning as Conservative Party leader.

DIRECT EQUITIES

- BlackRock Inc. and JPMorgan Chase & Co. are experiencing tight margins on their businesses in China as higher distribution fees are presenting themselves as high costs for fund companies. Since September last year, BlackRock garnered billions of yuan from local investors into their funds, but 48% was paid out to distributors, more than any other local fund houses. Intensifying competition from new entrants as well as the market decline is also challenging the profitability of the businesses in the longer term.

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