



CROSS WEEKLY

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01 August 2022

Brief Weekly Overview

China's top leaders gave a downbeat assessment of growth but didn't announce new stimulus or tweak the 5.5% GDP target. The country should achieve "the best outcome" possible for the economy while sticking to a strict Zero Covid policy, the Politburo said. It called on officials to ensure that housing projects are completed following the wave of mortgage boycotts.

Joe Biden warned Xi Jinping against military action to reunify with Taiwan, but said he wouldn't support the island's formal independence and reiterated the US's "one China" policy. Xi cautioned Biden against interference on the issue. Beijing didn't call the leaders' first conversation since March "constructive," as it had for their four previous conversations, but the two directed aides to plan an in-person meeting.

The Federal Reserve on Wednesday enacted its second consecutive 0.75 percentage point interest rate increase as it seeks to tamp down runaway inflation without creating a recession. While the fed funds rate most directly impacts what banks charge each other for short-term loans, it feeds into a multitude of consumer products such as adjustable mortgages, auto loans and credit cards. The increase takes the funds rate to its highest level since December 2018.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	637.72	1.16%	6.86%	-15.52%
S&P 500 Index	USD	4,130.29	1.42%	9.11%	-13.34%
Dow Jones Industrial Average	USD	32,845.13	0.97%	6.73%	-9.61%
Nasdaq Composite Index	USD	12,390.69	1.88%	12.35%	-20.80%
STXE 600 PR Index	EUR	438.29	1.28%	7.64%	-10.15%
FTSE 100 Index	GBP	7,423.43	1.06%	3.54%	0.53%
MSCI Asia Ex. Japan Index	USD	642.27	-0.63%	-1.66%	-18.63%
Nikkei 225 Tokyo	JPY	27,801.64	-0.05%	5.34%	-3.44%
Shanghai A Share Index	CNY	3,408.96	-0.89%	-4.29%	-10.63%
MSCI EM Index	USD	993.78	-0.38%	-0.69%	-19.34%
FIXED INCOME					
US2YT Yield	-	2.8844	2.22bps	-6.9bps	215.22bps
US10YT Yield	-	2.6487	-2.73bps	-36.42bps	113.86bps
Bunds 10Y Yield	-	0.8170	-0.91bps	-51.9bps	99.4bps
BBG USD HY Corp	-	7.7300	-18bps	-116bps	352bps
FOREX					
Euro/US Dollar	USD	1.0220	0.23%	-2.52%	-10.11%
US Dollar/Japanese Yen	JPY	133.27	-0.74%	-1.81%	15.81%
US Dollar/Singapore Dollar	SGD	1.3805	0.04%	-0.72%	2.34%
British Pound/US Dollar	USD	1.2171	-0.07%	-0.06%	-10.06%
US Dollar/ Chinese Yuan	CNY	6.7445	-0.04%	0.67%	6.11%
Australian Dollar/ US Dollar	USD	0.6985	-0.06%	1.19%	-3.83%
US Dollar Index	-	105.903	-0.42%	1.16%	10.70%
GOLD / OIL					
Brent Crude	USD	110.01	2.68%	-4.18%	41.44%
Gold Spot Price	USD	1765.94	0.58%	-2.29%	-3.46%



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EQUITIES

- US equities surged last week as hopes ignited that Fed rate hikes would not be as elevated as previously expected. This comes after Fed Chair Jerome Powell said that there will be a point where the Fed starts to slow hikes to assess their impact.
- European stocks were higher as investors digested a slew of corporate earnings and new economic data. Earnings continue to drive individual share price movement with Barclays, Shell, TotalEnergies among the major companies reporting results.
- Chinese equities were lower as mortgage boycotts threaten to spread and undermine financial stability.

FIXED INCOME

- US Treasury yields rally as the US entered a technical recession, defined as 2 consecutive quarters of declines. Inventories continue to surge while commodities continue to fall, fueling hopes that inflation may indeed be peaking.
- European peripherals continue to widen, as rate hikes fuel concerns about debt sustainability of highly indebted nations such as Italy, Spain and Greece.

FOREX

- The dollar continues to strength and is now almost 3 standard deviations expensive as measured by real effective exchange rates (REER). However, the dollar's status as the haven and the Fed being the most hawkish central bank globally mean that it may continue to strengthen further.

MACRO

- The latest employment cost index (ECI) rose 1.3% for the second quarter. For the 12-month period ended in June, pay related expenses rose 5.1% per cent, well above the 4.5% pace recorded last quarter.
- The Fed's preferred inflation gauge, the core personal consumption expenditures (PCE) price index rose 1 per cent in June. This lifted the annual rate to 6.8%.
- Acceleration in key inflation gauges continues to put pressure on the Fed to restore price stability and prevent inflation from becoming entrenched. Especially important are wages, as it may result in a wage price spiral.

DIRECT EQUITIES

- Amazon's shares rose more than 10 percent after it beat revenue expectations and offered upbeat forecasts for the remainder of the year as the company reined in ecommerce costs and benefited from strong demand from its cloud computing business.
- Solar stocks soared after Senate Majority Leader Chuck Schumer, D-N.Y., and Sen. Joe Manchin, D-W.V., said they've reached a deal on climate spending. Residential solar installers Sunrun (+30%) and Sunnova (+28%) jumped. SunPower (+18.2%) gained as the Invesco Solar ETF (+7.5%) added

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