



# CROSS WEEKLY

## CROSSINVEST

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08 August 2022

### Brief Weekly Overview

The People's Liberation Army conducted antisubmarine and naval strike exercises in the "air and sea space near Taiwan Island. Tensions are inflamed by House Speaker Nancy Pelosi visited Taiwan despite strong threats from China and opposition within the Democratic Party.

The July jobs report was much better than expected, with the labor market adding 528,000 jobs against estimations of a 258,000 increase. The unemployment rate ticked down to 3.5% and wage growth accelerated, stoking fears of entrenched inflation.

Ukrainian officials said Russian forces shelled the area around Zaporizhzhia, Europe's largest nuclear plant, for a second day. The news came hours after the head of the UN's atomic safety agency warned of "potentially catastrophic consequences." Moscow has denied targeting the plant and blamed Kyiv for the incidents, but the attacks show "the very real risk of a nuclear disaster," said the IAEA's Rafael Grossi.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
<b>EQUITIES</b>					
MSCI ACWI Index	USD	639.53	-0.22%	0.28%	-15.27%
S&P 500 Index	USD	4,145.19	-0.16%	0.36%	-13.03%
Dow Jones Industrial Average	USD	32,803.47	0.23%	-0.13%	-9.73%
Nasdaq Composite Index	USD	12,657.55	-0.50%	2.15%	-19.10%
STXE 600 PR Index	EUR	435.72	-0.76%	-0.59%	-10.68%
FTSE 100 Index	GBP	7,439.74	-0.11%	0.22%	0.75%
MSCI Asia Ex. Japan Index	USD	648.36	0.85%	0.95%	-17.85%
Nikkei 225 Tokyo	JPY	28,175.87	0.87%	1.35%	-2.14%
Shanghai A Share Index	CNY	3,381.24	1.19%	-0.81%	-11.35%
MSCI EM Index	USD	1,002.87	0.83%	0.91%	-18.60%
<b>FIXED INCOME</b>					
US2YT Yield	-	3.2257	18.3bps	34.13bps	249.35bps
US10YT Yield	-	2.8268	13.85bps	17.81bps	131.67bps
Bunds 10Y Yield	-	0.9550	15.2bps	13.8bps	113.2bps
BBG USD HY Corp	-	7.6100	6.01bps	-12bps	340bps
<b>FOREX</b>					
Euro/US Dollar	USD	1.0183	-0.61%	-0.36%	-10.44%
US Dollar/Japanese Yen	JPY	135.01	1.60%	1.31%	17.32%
US Dollar/Singapore Dollar	SGD	1.3813	0.36%	0.06%	2.39%
British Pound/US Dollar	USD	1.2073	-0.72%	-0.81%	-10.78%
US Dollar/ Chinese Yuan	CNY	6.7619	0.19%	0.26%	6.38%
Australian Dollar/ US Dollar	USD	0.6911	-0.86%	-1.06%	-4.85%
US Dollar Index	-	106.621	0.88%	0.68%	11.45%
<b>GOLD / OIL</b>					
Brent Crude	USD	94.92	0.85%	-13.72%	22.04%
Gold Spot Price	USD	1775.50	-0.88%	0.54%	-2.94%



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#### EQUITIES

- US stocks wavered in a volatile trading session on Friday after the July jobs report was much better than expected, as investors assessed what a strong labor market would mean for the Federal Reserve's rate tightening campaign.
- European equities closed lower after the strong jobs report from the US. The region's equities remain mired from China's COVID lockdowns, searing inflation in the US and energy crisis from the conflict in Ukraine.
- Asia stocks rose as tensions over Taiwan eased and tech shares in the region like TSMC and Sony gained. The MSCI Asia Pacific Index was up 0.2% by the close on Friday.

#### FIXED INCOME

- Rates surged higher after rallying for much of July. Optimism of possible dovish pivots by central banks evaporated into expectations of further hikes as wage growth accelerates in the US.
- Debt of China's property developers continue to widen as distress grows.

#### FOREX

- Yen shorts begin to capitulate as the three key pillars of the trade crumble. The widening US-Japan interest rate gap as started to narrow as recession fears emanate. Soaring oil prices and the loss of the currency's safe-haven status have begun to reverse as well.

#### MACRO

- The ugliest year ever for US corporate-bond investors is expected to get uglier -- and they only have the Federal Reserve to blame. With the central bank raising interest rates at the fastest pace in decades, nearly three quarters of those who responded to Bloomberg's MLIV Pulse survey said that tighter monetary policy is the biggest risk facing the corporate-debt market.
- The recent sharp rebound in July was driven by optimism that the Fed will pivot to a less hawkish stance, as reflected by market expectations ) that the Fed funds rate will peak at 3.40% followed by rapid rate cuts in early 2023. The resulting decline in Treasury yields spurred a broad rally in risk assets and a weaker US dollar. We believe that expectations for a dovish Fed pivot which drove the recent rebound are somewhat overdone given that inflation has not peaked, and wage growth continues to accelerate.

#### DIRECT EQUITIES

- Shares of Tesla fell in intraday trading Friday after the company's annual shareholder meeting, which took place on Thursday. Shareholders approved a 3-for-1 stock split, which would make shares more affordable.
- Cloudflare jumped after its earnings beat Wall Street's expectations. The company also bumped up its full-year 2022 guidance, saying it now expects growth of 48%.
- Shares of Global Blood Therapeutics jumped nearly 10% Friday after the Wall Street Journal reported that Pfizer is in advanced talks to buy the company for roughly \$5 billion.

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