



CROSS WEEKLY

CROSSINVEST

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29 August 2022

Brief Weekly Overview

Stock markets fell in the steepest decline since June as central bankers in Jackson Hole reiterated their hawkish stance (except Japan).

Powell commented that higher interest rates will bring down inflation but will generate pain to households and businesses and a weaker labor market, he is all but acknowledging the Fed is willing to risk a recession to fight inflation.

US sends first warships through the Taiwan Strait since Pelosi's visit to Taiwan.

Germany's foreign minister warned that the war in Ukraine could last years, saying that Berlin is willing to support Kyiv in the long haul.

Electricity prices continue to soar in Europe, with Germany, UK and France hard hit.

Cities bordering Beijing impose lockdowns, as Covid cases spike.

Profit margins of companies in the US surge to record highs, which makes for poor prospects of maintaining those levels as high inflation crimp consumer spending.

Hedge funds build biggest positions against Italian sovereign debt due to fraught politics and rising economic challenges.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	627.90	-2.34%	-1.54%	-16.82%
S&P 500 Index	USD	4,057.66	-3.37%	-1.76%	-14.87%
Dow Jones Industrial Average	USD	32,283.40	-3.03%	-1.71%	-11.16%
Nasdaq Composite Index	USD	12,141.71	-3.94%	-2.01%	-22.39%
STXE 600 PR Index	EUR	426.09	-1.68%	-2.78%	-12.65%
FTSE 100 Index	GBP	7,427.31	-0.70%	0.05%	0.58%
MSCI Asia Ex. Japan Index	USD	644.83	0.42%	0.40%	-18.30%
Nikkei 225 Tokyo	JPY	28,641.38	0.57%	3.02%	-0.52%
Shanghai A Share Index	CNY	3,391.19	-0.31%	-0.52%	-11.09%
MSCI EM Index	USD	1,006.50	0.31%	1.28%	-18.30%
FIXED INCOME					
US2YT Yield	-	3.3966	3.05bps	51.22bps	266.44bps
US10YT Yield	-	3.0409	1.52bps	39.22bps	153.08bps
Bunds 10Y Yield	-	1.3900	7.31bps	57.3bps	156.7bps
BBG USD HY Corp	-	8.0100	8.01bps	28bps	380bps
FOREX					
Euro/US Dollar	USD	0.9966	-0.09%	-2.49%	-12.35%
US Dollar/Japanese Yen	JPY	137.64	0.84%	3.28%	19.60%
US Dollar/Singapore Dollar	SGD	1.3939	0.38%	0.97%	3.33%
British Pound/US Dollar	USD	1.1744	-0.74%	-3.51%	-13.21%
US Dollar/ Chinese Yuan	CNY	6.8717	0.33%	1.89%	8.11%
Australian Dollar/ US Dollar	USD	0.6897	-1.20%	-1.26%	-5.04%
US Dollar Index	-	108.803	0.31%	2.74%	13.73%
GOLD / OIL					
Brent Crude	USD	100.99	1.66%	-8.20%	29.84%
Gold Spot Price	USD	1738.14	-1.17%	-1.57%	-4.98%



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EQUITIES

- US stocks tumbled in the wake of Fed Chair Powell's hawkish tone during the Jackson Hole Speech held on Friday, sending soft landing hopes lower and raising equity volatility. The S&P 500 Index fell 3.4% led by the drop in tech and consumer discretionary stocks.
- European stocks fell as investors jittered over the prospect of an economic downturn from higher interest rates after Fed Chair Powell reiterated the Fed's tightening policy stance. The Stoxx Europe 600 Index fell 1.7% on Friday.
- Asian equities rose on Friday in anticipation of a dovish Powell at the Jackson Hole symposium. The MSCI Asia Pacific Index climbed 0.2% led by tech shares like TSMC and Samsung.

FIXED INCOME

- Fed Chair Powell delivered a relatively hawkish speech at Jackson Hole, which should keep the USD supported for the time being. The emphasis on risks from prematurely loosening policy lessens likelihood that 2H23 rate cut pricing is realised. The chances of another 75bp hike at the September FOMC meeting have risen.

FOREX

- European natural gas price surge, which will keep inflation in Europe elevated, has become a new source of global interest rate volatility. Despite the rise in nominal rates, low real rates continue to highlight doubts over the willingness of European central banks to tighten into a weakening growth backdrop. Stagflationary challenges from surging gas prices are likely to further weigh on the near-term EUR and GBP outlook.

MACRO

- European markets dropped the most since early July as traders reacted to Federal Reserve Chair Jerome Powell's signal that the US central bank is likely to keep raising interest rates. The Stoxx Europe 600 Index (-1.7%) was down by the close in London, extending declines after Powell pushed back against any idea that the Fed would soon reverse tightening course. Stocks also came under pressure earlier after Reuters reported that some ECB policy makers want to discuss at three-quarter point interest rate hike at their next meeting in September. Retail, travel and leisure and consumer stocks led the decliners, while energy and miners outperformed. In the UK, energy regulator Ofgem announced that from Oct. 1, its price cap will soar by 80% to £3,549 per year from its current level of £1,971, and in doing so offered a bleak insight into the path of the deepening cost-of-living crisis and the UK inflation outlook.

DIRECT EQUITIES

- SAS AB warned that much more needs to be done in order to convince their stakeholders to invest in the company and restore financial health. The company has been experiencing travel disruptions during the summer season, as well as higher fuel prices and higher inflation. According to a statement on Friday, the company also said that it has identified \$707 million in annual expenses that it must cut. SAS AB reported total operating costs of 24.4 billion kronor for the 9 months ended July, up by 10.8 billion kronor.

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