



## CROSS WEEKLY

### CROSSINVEST

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12 September 2022

#### Brief Weekly Overview

The UK mourn the passing of Queen Elizabeth II, with 10 days of mourning announced. Meanwhile, UK new PM Truss unveils 150bn sterling plan to keep household energy bills below 2500 a month. That and plans to cut taxes have hit the sterling.

European governments are likely to take more steps to support their energy producers, after Sweden and Finland did so and UK energy producers called for help.

Developed market currencies are suffering from depreciation as the dollar reaches multi decade highs. This drives up inflation for many of those economies.

Industrial metals prices are plummeting on the back of a worsening energy crisis in Europe and signs of a slowdown in manufacturing in China.

The Fed's Beige Book Report states that outlook for economic conditions is weakening amid high prices and a tight labor market, although it also sees inflation decelerating. Jerome Powell sticks to hawkish view and leaves the door open for another 75 bps hike this month.

The ECB raises interest rates by 75 bps, its first increase in more than 11 years, and promises more to come in a bid to curb price rises by increasing the cost of borrowing.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
<b>EQUITIES</b>					
MSCI ACWI Index	USD	622.92	1.73%	1.60%	-17.48%
S&P 500 Index	USD	4,067.36	1.53%	2.84%	-14.66%
Dow Jones Industrial Average	USD	32,151.71	1.19%	2.04%	-11.52%
Nasdaq Composite Index	USD	12,112.31	2.11%	2.51%	-22.58%
STXE 600 PR Index	EUR	420.37	1.52%	1.26%	-13.82%
FTSE 100 Index	GBP	7,351.07	1.23%	0.92%	-0.45%
MSCI Asia Ex. Japan Index	USD	622.44	1.30%	-2.88%	-21.14%
Nikkei 225 Tokyo	JPY	28,214.75	0.53%	0.44%	-2.00%
Shanghai A Share Index	CNY	3,418.38	0.82%	1.87%	-10.38%
MSCI EM Index	USD	970.29	1.37%	-2.40%	-21.24%
<b>FIXED INCOME</b>					
US2YT Yield	-	3.5565	5.3bps	6.36bps	282.43bps
US10YT Yield	-	3.3097	-0.74bps	11.71bps	179.96bps
Bunds 10Y Yield	-	1.6980	-1.91bps	15.7bps	187.5bps
BBG USD HY Corp	-	8.2100	-16bps	-21bps	400bps
<b>FOREX</b>					
Euro/US Dollar	USD	1.0042	0.45%	-0.12%	-11.68%
US Dollar/Japanese Yen	JPY	142.47	-1.14%	2.53%	23.80%
US Dollar/Singapore Dollar	SGD	1.3995	-0.40%	0.17%	3.74%
British Pound/US Dollar	USD	1.1589	0.74%	-0.28%	-14.36%
US Dollar/ Chinese Yuan	CNY	6.9265	-0.45%	0.52%	8.97%
Australian Dollar/ US Dollar	USD	0.6841	1.33%	-0.01%	-5.81%
US Dollar Index	-	109.003	-0.64%	0.28%	13.94%
<b>GOLD / OIL</b>					
Brent Crude	USD	92.84	4.14%	-3.78%	19.36%
Gold Spot Price	USD	1716.83	0.49%	0.34%	-6.14%



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#### EQUITIES

- US equities rallied on Friday to finish the week strong, recovering from a Fed-induced slump the previous week. All major indices were up by the end of the week, with a weaker VIX, indicating a recovery in sentiment last week.
- The European Stoxx 600 closed higher last week (+1.6%), following the ECB's "jumbo" rate hike of 75bps, in line with expectations. Mining stocks led gains with a +3.2% finish, while tech stocks were up 2.7%. Meanwhile, the BOE postponed its September Monetary Policy Committee meeting by a week as the country enters a period of national mourning.
- Asian markets started the week poorly but ended the week up after rallies on Thursday and Friday. This came on the back of positive news from Chinese regulators, an easing dollar, and hopes of a below-expectations inflation report this week.

#### FIXED INCOME

- US Treasury yields climbed over the week, with front-end rates leading the climb with a 15bps increase. Fed officials did little to reduce fears of a hawkish stance, with Powell reiterating the need for tight monetary policy considering inflation fears on Thursday. With Central Banks globally tightening their policies, bond prices have dropped over the week.

#### FOREX

- Following the ECB's first ever 75bps rate rise last week, the USD dipped as investors increased expectations for further interest rate hikes by the ECB and the Bank of England. The EUR finished the week above parity and the GBP around 16 against the USD. The JPY also rallied from 24-year lows of 144 to 142.50 versus the greenback after Bank of Japan Governor Kuroda warned against sudden currency declines.

#### MACRO

- The Institute for Supply Management said its non-manufacturing PMI edged up to a reading of 56.9 last month from 56.7 in July, the second consecutive monthly increase after three months of declines amid stronger order growth and employment while supply bottlenecks and price pressures eased.
- Speaking at the Cato Institute's Monetary Conference, Fed chair Powell and other Fed speakers reinforced their hawkish stance delivered back in Jackson Hole.

#### DIRECT EQUITIES

- Tencent Holding Ltd, Chinese multinational technology and entertainment conglomerate, suffered from a massive selloff last week as its largest shareholder, Naspers Ltd, shifted US\$7.6 billion of its shares to Hong Kong's clearing and settlement system as it offloads part of its 29% stake. Just two months prior, Tencent's international investment arm Prosus abandoned its pledge not to sell stock in Tencent. The company reported its first decline in quarterly revenues for the June quarter after advertising revenue shrunk by 18%. Shares were down 4% after news of the selloff was released.

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