



CROSS WEEKLY

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26 September 2022

Brief Weekly Overview

A 75bps hike at the FOMC meet sent markets tumbling. Powell pointed out that the tight labour market needs to loosen before inflation can be hit, increasing the likelihood of an accompanying recession.

Anti-war protests continue across Russia after Putin announced the mobilisation of 300,000 reserves. Local reports state that more than 300k men have received draft orders, and the number appears to be increasing.

Global freight rates are on the rise as heightened demand for LNG in Europe pushes costs of shipping up. With many ships tied up, prices of shipping oil and gas have been driven up to pandemic highs as oil majors and ship owners keep the ships on standby for winter freight.

Housing prices in the US are falling as interest rates and mortgages rise, as buyers wait for prices to fall in anticipation of a recession.

The yen saw strengthening after the government intervened in the foreign exchange market to buy yen for the first time since 1998. This indicates a conflict between government and central bank, as the BOJ recommitted to its Yield Curve Control policy merely hours before.

Germany nationalised Uniper, injecting 8 billion euros to bailout Germany's largest gas importer and to avoid a chain reaction of gas supply disruption.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	567.86	-2.02%	-7.38%	-24.77%
S&P 500 Index	USD	3,693.23	-1.72%	-6.62%	-22.51%
Dow Jones Industrial Average	USD	29,590.41	-1.62%	-6.09%	-18.57%
Nasdaq Composite Index	USD	10,867.93	-1.80%	-8.03%	-30.53%
STXE 600 PR Index	EUR	390.40	-2.34%	-5.95%	-19.97%
FTSE 100 Index	GBP	7,018.60	-1.97%	-3.65%	-4.96%
MSCI Asia Ex. Japan Index	USD	579.62	-1.61%	-9.56%	-26.56%
Nikkei 225 Tokyo	JPY	27,153.83	0.00%	-3.34%	-5.69%
Shanghai A Share Index	CNY	3,236.52	-0.66%	-3.55%	-15.15%
MSCI EM Index	USD	905.84	-1.82%	-8.88%	-26.47%
FIXED INCOME					
US2YT Yield	-	4.2011	7.89bps	70.82bps	346.89bps
US10YT Yield	-	3.6846	-2.92bps	49.2bps	217.45bps
Bunds 10Y Yield	-	2.0240	5.9bps	48.3bps	220.1bps
BBG USD HY Corp	-	9.2500	25bps	83bps	504bps
FOREX					
Euro/US Dollar	USD	0.9687	-1.51%	-3.65%	-14.80%
US Dollar/Japanese Yen	JPY	143.31	0.65%	3.13%	24.53%
US Dollar/Singapore Dollar	SGD	1.4309	0.87%	2.42%	6.07%
British Pound/US Dollar	USD	1.0859	-3.57%	-6.57%	-19.75%
US Dollar/ Chinese Yuan	CNY	7.1283	0.71%	3.45%	12.15%
Australian Dollar/ US Dollar	USD	0.6528	-1.76%	-4.59%	-10.12%
US Dollar Index	-	113.192	1.65%	4.13%	18.32%
GOLD / OIL					
Brent Crude	USD	86.15	-4.76%	-10.72%	10.76%
Gold Spot Price	USD	1643.94	-1.63%	-3.92%	-10.13%



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EQUITIES

- A hawkish FOMC guidance caused a larger plummet in global equities despite the in-line rate hike of 75bps. S&P 500 dropped 5.3% over the week, and tech-heavy Nasdaq plummeted 5.8%. Indices are soon approaching June 2022 levels, with S&P 500 only 30 points away from the ~3,666 trough.
- The European Stoxx 600 dropped 3.9% over the week, with record outflows for the 32nd week in a row resulting from Putin's mobilisation announcement. Falling Eurozone Flash PMI (48.2) also stoked fears of looming recession.
- MSCI Asia Pacific fell 3.0% last week, as investors moved to a risk-off stance following the rate hike in the US. Due to continuous loose monetary policies in Japan and China depreciating their currencies, foreign investors expect strong global knock-on effects from a US recession.

FIXED INCOME

- 2Y yields climbed 39bps over the week, hitting 4.26. 10Y yields climbed to 3.74, while 30Y hit 3.65. The disproportionate growth in short-term rates indicate expectations of front-loading rates cutting inflation quickly.

FOREX

- The Fed's hawkish announcement further strengthened USD, with the DXY rising 3.15%. Foreign currencies were not helped by global events.
- Russia's mobilization resulted in a flight from the EUR to USD, while Kwasi Kwarteng's announcement of UK's economic policies sent the sterling diving over fears of extensive government borrowing despite high global interest rate.
- BOJ's recommitment to the YCC and a short-lived intervention by the Japanese government failed to halt a falling JPY, while continuously loose PBOC interest rate policy to support a flagging economy widened the USDCNY gap, despite attempts to set a higher reference rate.

MACRO

- Global central banks tightened more aggressively than expected, led by the Riksbank in Sweden with a 100bps hike. The global inflationary environment appears to be a long way from resolution, with the rest of the world lagging the US in facing inflation and recovering from it.

DIRECT EQUITIES

- FedEx Corp, an American multinational conglomerate focused on transportation, e-commerce and business services, saw their share price further declining after the new CEO's plan to cut costs and increase shipping rates failed to restore confidence among investors. High inflation rates globally, shortage of resources in Europe and China's persistent lockdown proved too much for the delivery heavyweight to handle as they saw their stock plummet earlier this month, surpassing its previous steepest one-day percentage decline of 16.4% back in 1987.

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