



CROSS WEEKLY

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03 October 2022

Brief Weekly Overview

Italy elected far-right leader Meloni on Sunday, but her future policies, and finance minister, remains to be seen.

Kwarteng's "mini-budget" sparked a downward spiral in the gilt markets and the pound, with several pension funds nearing margin call levels. The BOE intervened and pledged unlimited bond-buying to avert a crisis.

The Nord Stream gas pipeline system was found to be damaged, with gas leaking into the ocean and the atmosphere. Europe claimed there was sabotage.

Housing prices in the US continue to cool, with the S&P Case-Shiller Index growing 15.8% YoY in July, down from 18.1% in June.

US pledged further US\$1.1bn of weaponry for Ukraine, but they are expected to take years to reach the battlefield, as they will be procured from the defence industry instead of stockpiles.

China's financial regulators told the nation's largest state-owned banks to extend 600bn yuan of net financing to the property sector by the end of this year, providing a tax rebate to residents looking to buy a new home.

Russia annexed four regions in Ukraine on Friday, following referendum results that many Western countries called a sham. Ukraine captured Lyman on Saturday and announced further pushes into the East in the coming week.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	553.37	-0.81%	0.00%	-26.69%
S&P 500 Index	USD	3,585.62	-1.51%	0.00%	-24.77%
Dow Jones Industrial Average	USD	28,725.51	-1.71%	0.00%	-20.95%
Nasdaq Composite Index	USD	10,575.62	-1.51%	0.00%	-32.40%
STXE 600 PR Index	EUR	387.85	1.30%	0.00%	-20.49%
FTSE 100 Index	GBP	6,893.81	0.18%	0.00%	-6.65%
MSCI Asia Ex. Japan Index	USD	557.95	0.25%	0.00%	-29.31%
Nikkei 225 Tokyo	JPY	25,937.21	-1.83%	0.00%	-9.91%
Shanghai A Share Index	CNY	3,169.60	-0.55%	0.00%	-16.90%
MSCI EM Index	USD	875.79	0.29%	0.00%	-28.91%
FIXED INCOME					
US2YT Yield	-	4.2787	8.63bps	0bps	354.65bps
US10YT Yield	-	3.8286	4.3bps	0bps	231.85bps
Bunds 10Y Yield	-	2.1080	-7.3bps	56.7bps	228.5bps
BBG USD HY Corp	-	9.6800	-3.01bps	126bps	547bps
FOREX					
Euro/US Dollar	USD	0.9802	-0.13%	0.00%	-13.79%
US Dollar/Japanese Yen	JPY	144.74	0.19%	0.00%	25.77%
US Dollar/Singapore Dollar	SGD	1.4353	0.18%	0.00%	6.40%
British Pound/US Dollar	USD	1.1170	0.48%	0.00%	-17.45%
US Dollar/ Chinese Yuan	CNY	7.1160	-0.12%	0.00%	11.96%
Australian Dollar/ US Dollar	USD	0.6400	-1.54%	0.00%	-11.88%
US Dollar Index	-	112.117	-0.12%	0.00%	17.19%
GOLD / OIL					
Brent Crude	USD	87.96	-0.60%	0.00%	13.09%
Gold Spot Price	USD	1660.61	0.00%	0.00%	-9.22%



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EQUITIES

- US indices closed the week lower despite a rally on Wednesday which punished dip buyers on Thursday. S&P 500 fell 2.91% over the week marking their third straight quarter of losses for the first time since 2009, while the Nasdaq Composite fell 3.66%. Hopes of the Fed capitulating in the wake of BOE's intervention proved unfounded as news broke that the intervention was to avert a financial crisis.
- The European Stoxx 600 dropped 0.65% over a very volatile week following high inflation numbers and knock-on effects from the BOE intervention.
- MSCI Asia Pacific fell 4.25% last week, with Asian equities unable to participate in the post intervention rally, and continued its decline through the tail end of the week.

FIXED INCOME

- Knock on effects from the BOE's intervention shook the Treasury markets, with 2Y yields dropping to 4.09% right after the bond-buying announcement. However, it climbed back in the wake of the PCE data release, ending the week up 7bps at 4.28%.
- 10Y yields broke the 4% barrier early on Wednesday during the gilt market turmoil, but yields fell sharply after the BOE announcement. However, it closed the week up 14bps at 3.83%.

FOREX

- The USD furthers its strength, with geopolitical and inflation risks showing no signs of subsiding.
- The BOE's intervention in the gilt market bought the UK government time to polish its fiscal plan, leading to a rise in GBP. However, unwavering comments from Truss deters confidence in the market, and the UK yield curve flattened on the expectation that aggressive measures from the BOE are required.
- The PBOC took additional measures to stabilise the CNY ahead of the National Day holidays, through verbal guidance and reimposing the reserve requirement ratio for FX derivative sales. While downside risks to China's outlook are moderating, a hawkish Fed means that the case for further weakness in the CNY remains intact.

MACRO

- August PCE inflation data showed the same sequential uptrend as that for CPI with headline and core PCE price indexes rising 0.3% and 0.6% respectively. The Fed's hawkish stance is expected to remain.
- As activity reopens from the pandemic, Japan's economy is proving more resilient compared to America's and China's sharp slowdowns, and rising recession risks in Europe.

DIRECT EQUITIES

- Apple Inc., an American technology company specializing in consumer electronics, software, and online services, has cancelled plans to increase production of its new iPhones this year after an anticipated surge in demand failed to materialize. Purchases of the new iPhone series were down 11% in China, the world's largest smartphone market, versus its predecessor the previous year. Apple shares saw a decline of 3.9%.

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