



CROSS WEEKLY

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27 December 2022

Brief Weekly Overview

China confirmed that it is removing its quarantine requirements for inbound travelers from January 8 as part of a wider announcement that definitively abandoned a host of other preventive measures.

The US Senate approved a U\$1.7tn annual spending bill to avoid a government shutdown and released U\$45bn in additional funds to support Ukraine, more than what the Biden administration initially requested.

Following Zelenskyy's trip to the US, Putin said Russia seeks to end the war "as soon as possible". However, the Kremlin criticized the visit and warned that Russia would continue to target weaponry supplied to Ukraine.

European nations reached a deal to cap natural gas prices at €180, with several triggers required before it can take effect.

China's property sector have turned from pessimism to euphoria following Beijing's policy lifts, although sentiment is that the rout is far from over given weak homebuyer confidence and an uncertain economic recovery.

BOJ Governor Kuroda shocked markets by allowing Japan's 10-year bond yields to rise to around 0.5%, double the previous upper limit of 0.25%. This increases the chance of a rate hike in 2023 under a new governorship.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	605.97	0.26%	-3.96%	-19.72%
S&P 500 Index	USD	3,844.82	0.59%	-5.77%	-19.33%
Dow Jones Industrial Average	USD	33,203.93	0.53%	-4.01%	-8.63%
Nasdaq Composite Index	USD	10,497.86	0.21%	-8.46%	-32.90%
STXE 600 PR Index	EUR	427.45	0.04%	-2.86%	-12.37%
FTSE 100 Index	GBP	7,473.01	0.05%	-1.32%	1.20%
MSCI Asia Ex. Japan Index	USD	618.13	0.30%	-0.56%	-21.68%
Nikkei 225 Tokyo	JPY	26,405.87	0.65%	-5.59%	-8.29%
Shanghai A Share Index	CNY	3,213.28	0.65%	-2.72%	-15.76%
MSCI EM Index	USD	956.48	0.18%	-1.63%	-22.36%
FIXED INCOME					
US2YT Yield	-	4.3211	4.98bps	1.1bps	358.89bps
US10YT Yield	-	3.7472	6.86bps	14.18bps	223.71bps
Bunds 10Y Yield	-	2.4030	4.2bps	47.3bps	258bps
BBG USD HY Corp	-	8.6900	2bps	6bps	448bps
FOREX					
Euro/US Dollar	USD	1.0637	0.19%	2.22%	-6.45%
US Dollar/Japanese Yen	JPY	132.88	-0.02%	-3.76%	15.47%
US Dollar/Singapore Dollar	SGD	1.3479	-0.23%	-0.99%	-0.08%
British Pound/US Dollar	USD	1.2062	0.07%	0.03%	-10.86%
US Dollar/ Chinese Yuan	CNY	6.9627	-0.39%	-1.83%	9.54%
Australian Dollar/ US Dollar	USD	0.6727	0.09%	-0.90%	-7.38%
US Dollar Index	-	104.314	-0.11%	-1.54%	9.04%
GOLD / OIL					
Brent Crude	USD	83.920	3.63%	-1.77%	7.89%
Gold Spot Price	USD	1798.20	0.32%	1.68%	-1.69%



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EQUITIES

- US markets started the week bearish following poor consumer data and hawkish global central banks the previous week. Despite BOJ's surprise Yield Control adjustment, a midweek technical rally was triggered by positive earnings from FedEx and Nike. However, that was quickly pared back as tight labor market data and an upward revision to Q3 growth in the US sparked further monetary tightening fears. The S&P 500 fell 0.20%, while tech-heavy Nasdaq Composite fell 1.94%.
- European equities saw a better week, with Stoxx 600 climbing 0.64% as investors shrugged off the BOJ's surprise announcement. European stocks followed on from positive US earnings midweek but fell as weak European economic data was released through the week.
- Asian stocks had another volatile as the BOJ's surprise announcement sent Japanese equities tumbling. Positive global data sparked a rally midweek, together with leaked news of further relaxing of Chinese border controls. However, equities pared back some of their gains on Thursday following growth concerns in China and inflation worries in the US. MSCI Asia Pacific fell 0.47%, while the HSI gained 0.73%.

FIXED INCOME

- US Treasuries climbed during the week as US bonds sold off following BOJ's YCC adjustment. Fixed Income outflows from the US cause 10Y yields to spike 11bps in an hour following the announcement and rose 26bps through the week.
- US Treasury 2Y yields rose by a half as much, only 13bps, squeezing the 2Y10Y inversion from -70.805bps to -57.818bps.

FOREX

- With many people on holiday, liquidity in the forex markets is spread especially thin. This makes it possible for sharp market moves to happen without any news catalyst.
- The Yen surged after the BOJ blindsided the market by raising its cap on 10-year bond yields, with the rally coming after the currency had already risen from the Fed's rate hikes.

MACRO

- November's PCE print followed the CPI trend of disinflation, as core PCE grew 4.7% YoY and headline PCE grew 5.5%. However, wage growth remained stubborn as inflation-adjusted wages grew 0.3%.
- Consumers' year-ahead inflation expectations dropped this month to 4.4% over the next year, the lowest since June 2021.

DIRECT EQUITIES

- Micron Technology Inc. (MU), the largest US maker of memory chips, announced several cost-cutting measures including a 10% workforce reduction. With lower demand for semiconductor products, a rapid drop in revenue is projected. Additionally, they have suspended share buybacks and are cutting back on compensation companywide. Micron's shares declined by 2% in extended trading.

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