



CROSS WEEKLY

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06 February 2023

Brief Weekly Overview

As expected by most, the Fed hiked rates by 25bps, with Powell stating that terminal rates are likely to be higher than expected.

Nonfarm payrolls (NFP) increased by 517,000 in January, a massive gain from the previous month. Unemployment rate dropped to 3.4%, the lowest rate since 1969 and average hourly earnings grew moderately.

The Chinese spy balloon floating above California was shot down, prompting protests from Chinese authorities and re-stoking tensions between the US and China.

Beijing reached out to Japan and Netherlands after they agreed to join the US in restricting certain high-tech exports to China, encouraging them to protect existing supply-chain relationships and to maintain all economic, trade and technological ties.

The ECB lifted interest rates by 50bps while giving guidance that they will almost certainly raise rates by another 50bps next month, although reduced inflationary woes were acknowledged.

Apple reported its worst holiday performance in four years after sales were hit, Google missed expectations as they signaled lower demand for its search advertising, and Amazon reported that consumer demand remains low and that sales in its cloud-computing division will continue to lag throughout the year.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	656.26	-0.92%	1.22%	8.40%
S&P 500 Index	USD	4136.48	-1.04%	1.47%	7.73%
Dow Jones Industrial Average	USD	33926.01	-0.38%	-0.47%	2.35%
Nasdaq Composite Index	USD	12006.96	-1.59%	3.65%	14.72%
STXE 600 PR Index	EUR	460.77	0.34%	1.67%	8.44%
FTSE 100 Index	GBP	7901.80	1.04%	1.67%	6.04%
MSCI Asia Ex. Japan Index	USD	676.62	-0.48%	1.00%	9.27%
Nikkei 225 Tokyo	JPY	27509.46	0.39%	0.67%	5.42%
Shanghai A Share Index	CNY	3420.66	-0.68%	0.24%	5.63%
MSCI EM Index	USD	1038.72	-0.65%	0.70%	8.61%
FIXED INCOME					
US2YT Yield	-	4.2886	18.44bps	8.75bps	-13.72bps
US10YT Yield	-	3.5246	13.19bps	1.77bps	-35.02bps
Bunds 10Y Yield	-	2.1930	11.3bps	-9.3bps	-37.8bps
BBG USD HY Corp	-	7.8800	15bps	-26.01bps	-108bps
FOREX					
Euro/US Dollar	USD	1.0795	-1.05%	-0.63%	0.84%
US Dollar/Japanese Yen	JPY	131.1900	1.95%	0.85%	0.05%
US Dollar/Singapore Dollar	SGD	1.3235	1.05%	0.73%	-1.19%
British Pound/US Dollar	USD	1.2056	-1.38%	-2.14%	-0.22%
US Dollar/ Chinese Yuan	CNY	6.7980	0.99%	0.63%	-1.46%
Australian Dollar/ US Dollar	USD	0.6923	-2.18%	-1.87%	1.61%
US Dollar Index	-	102.9150	1.14%	0.80%	-0.59%
GOLD / OIL					
Brent Crude	USD	79.94	-2.71%	-5.39%	-6.95%
Gold Spot Price	USD	1864.97	-2.50%	-3.29%	2.25%



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EQUITIES

- US markets rallied overall last week as upside surprises in the busiest earnings week of the season, accompanied by a lower-than-expected Employment Cost Index on Tuesday encouraged investors. Despite an in-line rate hike and moderate messaging from the Fed, markets interpreted Powell's comments on Wednesday as dovish, and the S&P 500 posted an intraday gain of 2.34%. This was partially reversed on Friday after data showing a searing hot labour market and a gain in consumer demand for services was released. However, indices gained overall as the S&P 500 gained 1.62% and the Nasdaq Composite climbed 3.31%.
- Eurozone headline inflation cooled more than expected in January, and together with an in-line hike by the ECB and the BoE and an unexpected economic growth in Q4, led investors to hope for an earlier end to the European tightening cycle, with a shallower recession in the works. The pan-European Stoxx 600 gained 1.23%, led by Germany, France, and Italy.
- Asian equities were fell with the MSCI Asia Pacific Index losing 1.16% through the week. China led losses after reopening after a week-long break for the Lunar New Year, with the Hang Seng Index falling 4.5%, the largest weekly decline since October through widespread profit taking, and following news of a drastic fall in new home sales by 48.6% in January. Japan posted mixed performances with the Nikkei 225 gaining 0.46% while the broader TOPIX fell 0.63%.

FIXED INCOME

- While Treasury yields fell following Powell's press conference, the Nonfarm Payrolls report of Friday spooked the bond market significantly, sending yields shooting back above the start of the week.

FOREX

- The US Dollar regained strength as the shockingly strong jobs report renewed concerns that the Fed may remain aggressive in hiking interest rates.
- The Yen depreciated after the government reportedly approached Masayoshi Amamiya for the role of BOJ governor, spooking investors who feared a continuation of the Yield Control Curve policy as he was one of its architects.

MACRO

- The Institute for Supply Management's non-manufacturing index rose to 55.2, showing growth in consumer demand for services in January.
- Eurozone economy grew in the last quarter of 2022 by 0.1 as energy prices tamped down by milder weather and government support helped to prop up the economy.

DIRECT EQUITIES

- Baidu, Inc (HKG: 9888), a Chinese search engine platform, announced plans to initiate an artificial intelligence chatbot service similar to ChatGPT. Baidu has spent billions of dollars in AI R&D over the years after lagging rivals in areas such as mobile advertising and social media. Baidu's shares surged 5.8% after these plans were reported.

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