



CROSS WEEKLY

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20 February 2023

Brief Weekly Overview

The US CPI rose at a 6.4% rate in January, a smaller decline than the expected 6.2%, while core CPI hit 5.6%. Although expressing different views on terminal rates, Fed officials reiterated the need for further rate increases following the release of inflation figures.

Ties between China and the US fail to improve as US Secretary of State Blinken met China's top foreign official Wang Yi, warning against further spy balloon use and supplying lethal aid to Russia, while Wang Yi responded that China would never accept US attempts to dictate their relations with Moscow and that shooting down the balloon violated international conventions.

The EU is set to propose further sanctions to restrict Russia's ability to support its war, including extensive new export bans on several products including technologies and components that have been identified in Russian weapons.

Data from a software system was stolen by a China-based former employee of ASML, the second such breach that ASML has linked to China in less than a year.

Loretta Mester and James Bullard, two of the Fed's most hawkish policymakers, signaled favoring the return to bigger interest-rate hikes in the future, not ruling out supporting a 50bps hike at the next Fed meeting.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	645.03	-0.47%	-0.52%	6.55%
S&P 500 Index	USD	4079.09	-0.28%	0.06%	6.24%
Dow Jones Industrial Average	USD	33826.69	0.39%	-0.76%	2.05%
Nasdaq Composite Index	USD	11787.27	-0.58%	1.75%	12.62%
STXE 600 PR Index	EUR	464.30	-0.20%	2.45%	9.28%
FTSE 100 Index	GBP	8004.36	-0.10%	2.99%	7.42%
MSCI Asia Ex. Japan Index	USD	647.41	-1.34%	-3.36%	4.55%
Nikkei 225 Tokyo	JPY	27513.13	-0.66%	0.68%	5.44%
Shanghai A Share Index	CNY	3379.40	-0.77%	-0.97%	4.36%
MSCI EM Index	USD	999.42	-1.16%	-3.11%	4.50%
FIXED INCOME					
US2YT Yield	-	4.6169	-2.31bps	41.58bps	19.11bps
US10YT Yield	-	3.8148	-4.6bps	30.79bps	-6.01bps
Bunds 10Y Yield	-	2.4400	-3.81bps	15.4bps	-13.1bps
BBG USD HY Corp	-	8.6000	6.01bps	46bps	-36.01bps
FOREX					
Euro/US Dollar	USD	1.0695	0.20%	-1.55%	-0.09%
US Dollar/Japanese Yen	JPY	134.1500	0.16%	3.12%	2.31%
US Dollar/Singapore Dollar	SGD	1.3364	0.01%	1.71%	-0.23%
British Pound/US Dollar	USD	1.2037	0.37%	-2.30%	-0.38%
US Dollar/ Chinese Yuan	CNY	6.8686	0.16%	1.68%	-0.43%
Australian Dollar/ US Dollar	USD	0.6879	0.00%	-2.49%	0.97%
US Dollar Index	-	103.8620	0.01%	1.73%	0.33%
GOLD / OIL					
Brent Crude	USD	83.00	-2.51%	-1.76%	-3.39%
Gold Spot Price	USD	1842.36	0.33%	-4.46%	1.01%



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EQUITIES

- Economic data releases last week caused mixed reactions from investors as a slightly hotter than expected CPI print did little to deter bullish sentiment at first, with strong retail sales data on Wednesday also delivering mixed but positive trading. Thursday's PPI release soured sentiment however, as sticky inflation was reaffirmed by the biggest gain in producer prices since last June. The S&P 500 fell 0.28% over the week, while Nasdaq Composite gained 0.59%.
- Strong corporate results in Europe boosted investor sentiment, and equities gained despite mixed economic data releases across the Eurozone. The pan-European STOXX 600 climbed 1.40%, led by France's CAC 40 which gained 3.06%. However, this came despite falling industrial production and higher the expected employment data which could spur further hawkish moves by the ECB.
- Asian markets fell as increasing geopolitical tensions between China and the west spooked investors. The appointment of Ueda as governor of the Bank of Japan also gave markets mixed signals, coming from the same background as the economists that kicked of the last decade of ultra-loose monetary conditions. The MSCI Asia Pacific Index fell 2.20%, with the CSI 300 falling 1.75% and the Nikkei 225 down 0.57%.

FIXED INCOME

- Bond markets reacted more conventionally with the hotter inflation prints, with yields climbing through the week, and the yield curve inversion dropping even further on Wednesday.

FOREX

- The USD's strength has forced emerging economies to spend foreign reserves to support their exchange rates in response to currency devaluations, with some nations abandoning longstanding policies of pegging their currencies to the USD altogether.
- The EUR is extending its weakness as comments from the ECB officials were weighed in, as suggestions that risks of over-tightening should be taken into concern.

MACRO

- Japan's economy returned to growth as GDP expanded at an annualized pace of 0.6% in the fourth quarter of 2022, although momentum remains weak.
- Chinese borrowers are taking advantage of low interest rates to prepay mortgages or invest in stocks instead of buying goods, the intended use of these cheap lending products. This risks undermining Beijing's attempt to engineer an economic recovery tied to consumption.

DIRECT EQUITIES

- Meta Platforms, Inc. (NASDAQ: META), formerly known as Facebook, will be launching a new subscription service that includes additional features for paying users. Named Meta Verified, this will cost US\$11.99 per month or US\$14.99 if purchased through the iOS app, with subscriptions available separately on Facebook and Instagram. Meta is currently generating most of its revenue through advertising, which can be cyclical to business cycles.

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