



# CROSS WEEKLY

## CROSSINVEST

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12 June 2023

### Brief Weekly Overview

Following the debt ceiling fight, an estimated US\$1.1tn of US government borrowing by the end of 2023 will put an enormous strain on banks as cash is sucked out from bank deposits. The increased supply of these debt issuances will increase yield and could hurt smaller lenders as banks respond by raising interest rates on their savings accounts.

ECB reported consumer inflation expectations in the eurozone decreased significantly in April. In March, expectations fell from 5% to 4.1%, with three years figures falling from 2.9% to 2.5%.

Goldman Sachs lowered their recession forecast to 25%, which leaves room for grave error as the economy remains strained. Bond asset managers have identified key stresses in the market including a credit crunch in banking, deep mispricing in junk bond yields, and, and increasingly stretched consumer balance sheets.

Regional banks are not yet out of the woods, with over 700 banks exceeding FDIC recommended concentration levels in Commercial Real Estate (CRE) loans. The majority are small minnows who hold 14%-40% of total assets in CRE loans, while CRE valuations have fallen 15% on average, with office values down 27%.

Chinese exports contracted 7.5% while imports contracted 4.5% in YoY, missing expectations. China's monthly trade surplus fell 16.1% to US\$65.81bn, well below forecasts.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
<b>EQUITIES</b>					
MSCI ACWI Index	USD	667.08	0.20%	3.20%	10.19%
S&P 500 Index	USD	4298.86	0.11%	2.85%	11.96%
Dow Jones Industrial Average	USD	33876.78	0.13%	2.94%	2.20%
Nasdaq Composite Index	USD	13259.14	0.16%	2.50%	26.68%
STXE 600 PR Index	EUR	460.01	-0.15%	1.83%	8.27%
FTSE 100 Index	GBP	7562.36	-0.49%	1.56%	1.48%
MSCI Asia Ex. Japan Index	USD	640.84	0.68%	3.82%	3.49%
Nikkei 225 Tokyo	JPY	32265.17	1.97%	4.46%	23.65%
Shanghai A Share Index	CNY	3387.29	0.56%	0.83%	4.60%
MSCI EM Index	USD	1002.33	0.83%	4.57%	4.80%
<b>FIXED INCOME</b>					
US2YT Yield	-	4.5956	8.09bps	19.29bps	16.98bps
US10YT Yield	-	3.7394	2.15bps	9.68bps	-13.54bps
Bunds 10Y Yield	-	2.3770	-2.51bps	9.5bps	-19.4bps
BBG USD HY Corp	-	8.5700	-4bps	-24bps	-39.01bps
<b>FOREX</b>					
Euro/US Dollar	USD	1.0749	-0.31%	0.56%	0.41%
US Dollar/Japanese Yen	JPY	139.4000	0.35%	0.04%	6.31%
US Dollar/Singapore Dollar	SGD	1.3434	0.05%	-0.61%	0.29%
British Pound/US Dollar	USD	1.2572	0.10%	1.05%	4.05%
US Dollar/ Chinese Yuan	CNY	7.1305	0.26%	0.31%	3.36%
Australian Dollar/ US Dollar	USD	0.6742	0.39%	3.68%	-1.04%
US Dollar Index	-	103.5570	0.21%	-0.74%	0.03%
<b>GOLD / OIL</b>					
Brent Crude	USD	74.79	-1.54%	2.93%	-12.94%
Gold Spot Price	USD	1961.19	-0.22%	-0.08%	7.52%



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### EQUITIES

- US equities saw a broad-based rally as the S&P 500 entered a technical bull market, reaching 20% above last October's trough. Notably, the equal-weight index also gained more than the conventional market cap weighted index, demonstrating a broader rise in sentiment. In a light economic release week, indications of service price slowdown from the Institute of Supply Management benefitted sentiment, despite a concurrent release of stalling economic activity in the US. The S&P 500 gained 0.39%, while the equal weighted counterpart rose 0.93%.
- European equities retreated after economic growth releases indicated contractions, with a downward revision in eurozone GDP growth to negative in Q4 2022 and Q1 2023, indicating a technical recession. The additional release of flat Eurozone retail sales and weaker German and French industrial output led to investors turning bearish. The pan-European Stoxx 600 declined 0.46%.
- Japanese equities continued their ascent last week, as economic growth in Q1 was revised upwards to 2.7%, beating expectations. The Nikkei 225 climbed 2.4% while the broader Topix grew 1.9%. Chinese equities were hurt after deflationary data in consumer and producer prices indicated a softening economy. With 0.2% CPI growth and -4.6% PPI growth, fears of a faltering re-opening rebound rose. The CSI 300 fell 0.65%, while the HSI added 2.32%.

### FIXED INCOME

- Despite an influx of bonds issuances and sales from Treasuries to municipal bonds to Investment Grade to High Yield corporates, adequate demand was found, sending yields ticking up only slightly through the week. 10Y Treasury yields rose 4.87bps.

### FOREX

- A generally positive tone on equity markets and a modest US dollar uptick acted as headwinds for the safe-haven Gold price. Traders are refraining from placing aggressive bets ahead of this week's important data from the central bank.
- AUD/JPY remained defensive around 94.00. This is due to hawkish RBA concerns with the decline in Japan's Producer Price Index amid dovish comments from Bank of Japan's Masazumi Wakatabe.

### MACRO

- Initial job claims increased 28,000 to 261,000 early June, the largest increase since July 2021. Continuing job claims fell to 1.76 million in the week ended May 27, the lowest since mid-February. These data points are indicative signs of a cooling labour market, albeit largely resilient.

### DIRECT EQUITIES

- NIO Inc. (SGX: NIO), Chinese EV Maker, reported a narrower-than-expected adjusted per share loss of US\$0.36 from sales of US\$1.6 billion in Q1 2023. Overall gross profit margins were at 1.5% for the first quarter, down 3.9% in the previous quarter. Deliveries are forecasted to improve from 6,155 vehicles in May to up to 12,000 vehicles in June.

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