



# CROSS WEEKLY

## CROSSINVEST

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10 July 2023

### Brief Weekly Overview

The minutes for June's Fed minutes revealed some dissent among members who supported raising rates against those who preferred a pause. Although the decision to pause was still unanimous, the stance of the committee remained hawkish.

Nonfarm Payrolls rose 209,000 in June, below consensus, while job gains in May and April were revised down. However, unemployment fell to 3.6%, while average hourly earnings rose 4.4%, which analysts and Fed officials highlighted as evidence of further resilience in the labor market.

US Treasury Secretary Janet Yellen visited China and had productive talks with Chinese Premier Li Qiang and her counterpart He Lifeng, where she emphasized the importance of stabilizing and maintain a strong relationship, and downplayed the impacts of the US export curbs on China.

Eisuke Sakakibara, Japan's ex-vice finance minister, cautioned the yen may weaken more than 10%, around 160 against the dollar, as the Bank of Japan sticks to ultra-easy monetary policy while the Federal Reserve raises interest rates. The nation spent ~US\$65bn last year to defend the currency.

Morningstar has identified over US\$28bn of locked up investments in Chinese mutual and private funds that will be freed up this year, and warned that Chinese equity markets would see significant outflows when investors are able to redeem their holdings.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
<b>EQUITIES</b>					
MSCI ACWI Index	USD	673.44	-0.05%	-1.38%	11.24%
S&P 500 Index	USD	4398.95	-0.29%	-1.16%	14.57%
Dow Jones Industrial Average	USD	33734.88	-0.55%	-1.96%	1.77%
Nasdaq Composite Index	USD	13660.72	-0.13%	-0.92%	30.52%
STXE 600 PR Index	EUR	447.65	0.10%	-3.09%	5.36%
FTSE 100 Index	GBP	7256.94	-0.32%	-3.65%	-2.61%
MSCI Asia Ex. Japan Index	USD	621.96	-0.86%	-1.37%	0.44%
Nikkei 225 Tokyo	JPY	32388.42	-1.17%	-2.41%	24.12%
Shanghai A Share Index	CNY	3351.01	-0.28%	-0.17%	3.48%
MSCI EM Index	USD	980.66	-0.41%	-0.89%	2.54%
<b>FIXED INCOME</b>					
US2YT Yield	-	4.9459	-3.47bps	5.05bps	52.01bps
US10YT Yield	-	4.0616	3.26bps	22.49bps	18.68bps
Bunds 10Y Yield	-	2.6370	1.11bps	24.5bps	6.61bps
BBG USD HY Corp	-	8.7200	-3bps	22.01bps	-24bps
<b>FOREX</b>					
Euro/US Dollar	USD	1.0967	0.72%	0.53%	2.45%
US Dollar/Japanese Yen	JPY	142.2100	-1.29%	-1.46%	8.46%
US Dollar/Singapore Dollar	SGD	1.3468	-0.50%	-0.41%	0.54%
British Pound/US Dollar	USD	1.2839	0.78%	1.07%	6.26%
US Dollar/ Chinese Yuan	CNY	7.2254	-0.32%	-0.39%	4.74%
Australian Dollar/ US Dollar	USD	0.6690	0.97%	0.39%	-1.81%
US Dollar Index	-	102.2720	-0.87%	-0.62%	-1.21%
<b>GOLD / OIL</b>					
Brent Crude	USD	78.47	2.55%	4.77%	-8.66%
Gold Spot Price	USD	1925.05	0.74%	0.30%	5.54%



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### EQUITIES

- In a holiday-shortened week when the US celebrated Independence Day, US equities sold off following the release of hawkish Fed minutes that indicated a high chance of further rate hikes. Despite weaker job growth than expected, rising wages and falling unemployment weighed further on sentiment as the resilient labour market could induce further rate hikes. The S&P 500 fell 1.16%.
- Following yet another week of ECB officials delivering hawkish comments, European equities declined as Chinese public support failed to materialize, and weak German industrial output and exports added to the negative sentiment. Despite easing producer prices, and falling consumer inflation expectations, ECB President Lagarde reiterated her hawkish stance and maintained expectations of further hikes. The pan-European Stoxx 600 fell 3.09%, with the German DAX falling 3.37% and France's CAC 40 sliding 3.89%.
- As global sentiment soured, so did Japanese equities, as investors took profits in strongly performing Japanese stocks, particularly in technology equities. The Nikkei 225 dropped 2.4%, while the Topix gave up 1.5%. Chinese equities also retreated as disappointing economic data releases showed falling manufacturing and manufacturing activity. Despite promises from Chinese Premier Li Qiang on further governmental support to the economy, the lack of specifics or announcements disappointed markets, and the CSI 300 slipped 0.44%, while the HSI fell 2.91%.

### FIXED INCOME

- 10 Year Treasury yields climbed and stayed firmly above 4% after bond markets were convinced that the Fed would continue hiking rates during their next few meetings. Treasury Inflation-Protected Securities rose to the highest level since 2009, hitting 1.82%.

### FOREX

- Expectations of the Federal Reserve hiking interest rates by 25 bps later this month remains supportive of elevated US Treasury bond yields and acts as a tailwind for the USD.
- The People's Bank of China (PBOC) fixed the USD/CNY rate at 7.1926, relative to Friday's 7.2054 and market expectations of 7.2132. The Chinese central bank has injected 2 billion yuan through 7-day reverse repos.

### MACRO

- Upward revision of the S&P Global US Services PMI in June 2023 to 54.4 from 54.1 signaling robust services performance.
- Initial jobless claims increased by 12,000 to 248,000 on the week ending 1st July, slightly above consensus of 245,000. Continuing claims fell by 13,000 to 1,720,000 in the previous week, the lowest in four months.

### DIRECT EQUITIES

- Samsung Electronics Co., Ltd. (KRX: 005930) forecasted a 96% quarterly profit plunge to 600 billion Korean won in Q2 as weak demand for memory chips persists, the lowest quarterly profit since Q1 2009.

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