



# CROSS WEEKLY

## CROSSINVEST

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31 July 2023

### Brief Weekly Overview

The Bank of Japan announced tweaks to the Yield Curve Control policy where they would keep 0.5% as the reference point around which 10 Year Japanese Government Bonds can yield, while a strict limit of 1% will be enforced. However, on Monday, the BoJ has announced further unscheduled bond buying exercises up to 300bn Yen.

The Fed raised the benchmark rate by 25bps in a unanimous decision to 5.5%, while Chair Powell announced that the September decision is open to either a hike or a pause, depending on data releases over the next two months.

Newly proposed capital requirements from the Fed is expected to raise capital requirements by 2%, which would wipe out Wall Street Banks' current excess CET 1 capital of U\$118bn, and would hurt dividend payments or buybacks while raising the cost of doing business. The minimum asset size for banks to be subject to these regulations will also be lowered.

PacWest, a regional bank affected by March's banking turmoil, has agreed to merge with Banc of California, with a U\$400mn equity injection from buyout groups Warburg Pincus and Centerbridge Partners.

Chinese foreign minister Qin Gang has been replaced by his predecessor Wang Yi following a month of disappearance.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
<b>EQUITIES</b>					
MSCI ACWI Index	USD	705.51	0.77%	3.32%	16.54%
S&P 500 Index	USD	4582.23	0.99%	2.96%	19.34%
Dow Jones Industrial Average	USD	35459.29	0.50%	3.06%	6.98%
Nasdaq Composite Index	USD	14316.66	1.90%	3.83%	36.79%
STXE 600 PR Index	EUR	470.78	-0.20%	1.92%	10.80%
FTSE 100 Index	GBP	7694.27	0.02%	2.16%	3.25%
MSCI Asia Ex. Japan Index	USD	663.32	0.85%	5.19%	7.12%
Nikkei 225 Tokyo	JPY	32759.23	-0.40%	-1.30%	25.54%
Shanghai A Share Index	CNY	3434.22	1.84%	2.31%	6.05%
MSCI EM Index	USD	1043.20	0.78%	5.43%	9.08%
<b>FIXED INCOME</b>					
US2YT Yield	-	4.8744	-5.41bps	-2.11bps	44.86bps
US10YT Yield	-	3.9507	-4.76bps	11.4bps	7.59bps
Bunds 10Y Yield	-	2.4920	1.8bps	10bps	-7.9bps
BBG USD HY Corp	-	8.3700	-7.01bps	-13.01bps	-59.01bps
<b>FOREX</b>					
Euro/US Dollar	USD	1.1016	0.34%	0.98%	2.91%
US Dollar/Japanese Yen	JPY	141.1600	1.20%	-2.18%	7.66%
US Dollar/Singapore Dollar	SGD	1.3316	0.01%	-1.54%	-0.59%
British Pound/US Dollar	USD	1.2851	0.43%	1.17%	6.36%
US Dollar/ Chinese Yuan	CNY	7.1485	-0.27%	-1.45%	3.62%
Australian Dollar/ US Dollar	USD	0.6650	-0.88%	-0.21%	-2.39%
US Dollar Index	-	101.6220	-0.15%	-1.25%	-1.84%
<b>GOLD / OIL</b>					
Brent Crude	USD	84.99	0.89%	13.47%	-1.07%
Gold Spot Price	USD	1959.49	0.69%	2.09%	7.43%



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### EQUITIES

- US equities saw gains in growth and long-duration equities, mostly on Friday, as Goldilocks PCE and consumer spending data were released, while tweaks to Japan's Yield Curve Control were not as bad as previously feared. Midweek, the FOMC meeting concluded with an in line 25bps hike, and vague language from Powell that were not deemed overly hawkish. Overall, the S&P 500 rose 0.85%, while tech heavy Nasdaq Composite gained 1.67%.
- European equities started the week subdued as inconclusive Spanish election results left markets uncertain of the business environment in Europe's 5<sup>th</sup> largest economy. Further Chinese stimulus news boosted European sentiment early in the week, and despite the ECB hiking 25bps, comments by ECB President Lagarde hinting at a potential pause left markets hopeful of a nearer end to the European hiking cycle. The pan-European Stoxx 600 climbed 1.24%.
- Japanese equities also gained despite central bank tightening the Yield Curve Control (YCC) policy, with the Nikkei 225 rising 1.4% and the Topix advancing 1.3%. While equities took a hit on an overnight report of potential tightening, losses were made back as inflation forecasts were revised upwards.
- Chinese equities soared as economic stimulus and support was announced by China's top governing body, the Politburo, along with several business and investor friendly moves by regulators and officials. In spite of weak economic data releases, expectations of a strong recovery led by government support caused the CSI 300 to jump 4.47%, while the Hang Seng Index popped 4.41%.

### FIXED INCOME

- While the Fed's hike was well in line with expectations, 10 Year Treasury yields rose to a high of ~4% on the back of strong GDP data and growth signals. Riskier Fixed Income also fell as the Bank of Japan raised the limit on Japanese Government Bonds.

### FOREX

- While the USDJPY fell below 139 initially on the BoJ's tweaks to the YCC policy, it quickly pared back to ~141 as traders assessed the move to not reduce yield differentials too greatly.

### MACRO

- The US Personal Consumption Expenditure price index rose 0.2% Month on Month in June and 3% Year on Year. However, Core PCE rose 4.1% YoY as consumer spending posted strong gains in June. With inflation cooling in line with expectations, while consumer spending remain resilient.
- US GDP grew 2.4% annualized over the second quarter of year, giving rise to markets calling a "Goldilocks" scenario of disinflation and resilient growth.

### DIRECT EQUITIES

- Ford Motor Co (NYSE: F) fell 3.53% intraday despite posting profit and revenue growth in Q2, beating street estimates. The sell-off was due to losses in the EV business line and setbacks in future developments in EVs.

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