



CROSS WEEKLY

CROSSINVEST

Wealth & Asset Management
Private Equity & Venture Capital
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Since 1985

21 August 2023

Brief Weekly Overview

US initial jobless claims fell to 239,000 in the week ended August 12, slightly below consensus of 240,000, signaling that the labour market continues to be healthy, and firms are laying off less workers.

Excess pandemic cash savings of more than US\$2 tn have been used up, forcing US consumers to be dependent on their paychecks to meet their standard of living. The situation is exacerbated with the resumption of student loan payments and credit now being costlier and more difficult to get.

Japanese inflation slowed in July as falling energy prices pulled down costs. However, core inflation, which excludes food and energy, accelerated to 4.3% due to hotel charges and service prices rising.

The US Fed July meeting minutes revealed that most officials believed there was significant upside risks to inflation, which could require further tightening of monetary policy. However, two officials were in favour of pausing, as disinflationary data was printing cooler than they expected.

China aims to allow the Chinese governments to sell 1.5 tn yuan (US\$205.9 bn) of special financing debt to assist 12 regions meet their debt obligations. The PBoC has intentions to set up a special purpose vehicle with local banks to provide long-term and cheaper liquidity which will lessen LGFVs' liquidity risks.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	666.77	-0.24%	-5.71%	10.14%
S&P 500 Index	USD	4369.71	-0.01%	-4.78%	13.81%
Dow Jones Industrial Average	USD	34500.66	0.07%	-2.98%	4.08%
Nasdaq Composite Index	USD	13290.78	-0.20%	-7.36%	26.98%
STXE 600 PR Index	EUR	448.44	-0.61%	-4.86%	5.54%
FTSE 100 Index	GBP	7262.43	-0.65%	-5.68%	-2.54%
MSCI Asia Ex. Japan Index	USD	610.21	-1.21%	-8.43%	-1.46%
Nikkei 225 Tokyo	JPY	31450.76	-0.55%	-5.19%	20.53%
Shanghai A Share Index	CNY	3283.38	-1.01%	-4.83%	1.40%
MSCI EM Index	USD	964.44	-0.97%	-7.88%	0.84%
FIXED INCOME					
US2YT Yield	-	4.9425	1.34bps	6.6bps	51.67bps
US10YT Yield	-	4.2546	-1.95bps	29.58bps	37.98bps
Bunds 10Y Yield	-	2.6220	-8.71bps	13bps	5.11bps
BBG USD HY Corp	-	8.7000	3bps	40bps	-26.01bps
FOREX					
Euro/US Dollar	USD	1.0873	0.01%	-1.13%	1.57%
US Dollar/Japanese Yen	JPY	145.3900	-0.31%	2.18%	10.88%
US Dollar/Singapore Dollar	SGD	1.3572	-0.09%	2.08%	1.32%
British Pound/US Dollar	USD	1.2734	-0.10%	-0.79%	5.39%
US Dollar/ Chinese Yuan	CNY	7.2845	-0.03%	1.98%	5.59%
Australian Dollar/ US Dollar	USD	0.6406	0.03%	-4.63%	-5.97%
US Dollar Index	-	103.3750	-0.19%	1.49%	-0.14%
GOLD / OIL					
Brent Crude	USD	84.80	0.81%	-0.89%	-1.29%
Gold Spot Price	USD	1889.31	-0.01%	-3.86%	3.58%



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EQUITIES

- US equities retreated as a sharp increase in longer-term bond yields and fears of a sharp China slowdown dampened markets. Growth shares should, in theory, suffer the most as rising rates mean future earnings would be discounted at a larger rate but the Russell 1000 Growth Index held up better than its value counterpart. The S&P 500 fell 4.30% from its July 26 intraday peak while the tech heavy Nasdaq Composite fell 5.92%.
- European equities fell on intensifying concerns on China's uncertain economy and the outlook of a prolonged period of higher European interest rates. The Norwegian central bank raised benchmark interest rate by a quarter percentage point to 4.0%, in line with expectations. UK wage growth accelerated, prompting further interest rate hikes from the BoE. The pan-European Stoxx 600 fell 2.74%.
- Japanese equities declined amid concerns about China's macroeconomic weakness and troubled property sector. This follows the BoJ's monetary policy tweak in July to allow JGB yields to rise more freely by turning its 0.5% yield ceiling. The Nikkei fell 1.90% while the Topix fell 1.37%.
- Chinese equities dropped amid pessimism. Industrial output and retail sales grew at a slower-than-expected pace in July from a year previously. Fixed asset investment growth in the first seven months of the year also missed forecasts. The CSI 300 lost 2.37%, while the Hang Seng Index gave up 5.58%.

FIXED INCOME

- The positive economic surprises coupled with heavy issuance pushed up the US10YT to its highest level since October 2022. Attractive new issue concessions helped to strengthen demand. Investment-grade corporate bonds underperformed Treasuries, with market volumes in the high yield bond and bank loan segments below average.

FOREX

- Expectations that the Fed will keep interest rates higher for longer and elevated US Treasury bond yields continue to act as a tailwind for the USD.
- The USDCNY fixing continued its upswing but showed a greater bias against swift depreciation. The PBoC will likely continue to employ tools such as counter cyclical factors, FX deposits RRR to manage the pace of CNY depreciation.

MACRO

- The BoJ's increasing pace of JGBs purchase has not quelled despite a wider yield band which was aimed to lessen the strain on its control of longer-term interest rates. A total amount of ¥124.6 tn (US\$857 bn) was estimated by Bloomberg to be purchased by the central bank to try to stem market pressures.

DIRECT EQUITIES

- WeWork Inc. (NYSE: WE) saw its share price fall 11% to 14 cents last Friday after the provider of coworking spaces announced a 1-for-40 reverse stock split to retain its NYSE listing of the US\$1.00 per share minimum closing price.

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