



CROSS WEEKLY

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28 August 2023

Brief Weekly Overview

Jackson Hole speeches by Powell and Lagarde reinforced the higher for longer hawkish stance, though markets took optimism from his promise to “proceed carefully” and signs that rates may be held steady at the September meeting.

The Chinese Ministry of Finance lowered stamp duties on stock trades from 0.1% to 0.05% and slowed the pace of IPOs in a bid to “invigorate capital markets” and to screen weak companies from listing. The housing authority also eased its mortgage policies to allow local governments to count certain prior homeowners as first-time buyers.

Labor disputes in Australia’s largest LNG export plant appeared to ease as unions in Woodside Energy’s North West Shelf operations came to an in-principle agreement. However, unions at 2 other Australian Chevron plants have voted to take industrial action unless negotiations produce results.

S&P Global Ratings has joined Moody’s in downgrading several US banks as rising cost of funding eat into earnings. The credit ratings of 5 regional banks were cut one notch, while outlooks for several more were changed to negative.

Former Wagner leader Prigozhin, who led the mutinous march on Moscow 2 months ago, has been confirmed dead by Russian authorities after being in a plane crash on Wednesday.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	670.23	0.05%	-5.22%	10.71%
S&P 500 Index	USD	4405.71	0.67%	-3.99%	14.75%
Dow Jones Industrial Average	USD	34346.90	0.73%	-3.41%	3.62%
Nasdaq Composite Index	USD	13590.65	0.94%	-5.27%	29.85%
STXE 600 PR Index	EUR	451.39	-0.04%	-4.23%	6.24%
FTSE 100 Index	GBP	7338.58	0.07%	-4.69%	-1.52%
MSCI Asia Ex. Japan Index	USD	613.05	-1.28%	-8.01%	-1.00%
Nikkei 225 Tokyo	JPY	31624.28	-2.05%	-4.67%	21.19%
Shanghai A Share Index	CNY	3212.31	-0.59%	-6.89%	-0.80%
MSCI EM Index	USD	971.04	-1.15%	-7.25%	1.53%
FIXED INCOME					
US2YT Yield	-	5.0779	5.5bps	20.13bps	65.21bps
US10YT Yield	-	4.2354	-0.18bps	27.66bps	36.06bps
Bunds 10Y Yield	-	2.5610	4.8bps	6.9bps	-1bps
BBG USD HY Corp	-	8.6500	-2bps	35bps	-31bps
FOREX					
Euro/US Dollar	USD	1.0796	-0.13%	-1.83%	0.85%
US Dollar/Japanese Yen	JPY	146.4400	0.42%	2.92%	11.68%
US Dollar/Singapore Dollar	SGD	1.3561	-0.04%	1.99%	1.24%
British Pound/US Dollar	USD	1.2578	-0.19%	-2.00%	4.10%
US Dollar/ Chinese Yuan	CNY	7.2872	0.10%	2.02%	5.63%
Australian Dollar/ US Dollar	USD	0.6404	-0.20%	-4.66%	-6.00%
US Dollar Index	-	104.0770	0.09%	2.18%	0.54%
GOLD / OIL					
Brent Crude	USD	84.48	1.34%	-1.26%	-1.66%
Gold Spot Price	USD	1914.96	-0.10%	-2.55%	4.99%



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EQUITIES

- US equities were mixed as the economy delivered countervailing signals on broader economic resilience against falling consumer strength. Retailers reported falling earnings and rising credit card delinquencies in their quarterly results, while new home sales rose 4.4% on a seasonally adjusted basis, defying the highest new mortgage rates in years. The S&P 500 inched up 0.58% last week, while the tech-concentrated Nasdaq 100 climbed 1.22%.
- European equities edged up through the week as LNG labour disputes in Australia eased somewhat. This is despite gloomy economic releases including contractionary Eurozone PMIs and a flat growth forecast by the Bundesbank for the German economy. The pan-European Stoxx 600 edged up 0.66%.
- Japanese equities gained early in the week, as PMIs came in expansionary and growing in August, and markets reacted positively to core CPI rising 3.1% in July. However, worries about worsening trade relations with China dampened optimism on Friday as the release of treated nuclear coolants into the ocean drew a ban on Japanese seafood imports by China. The Nikkei gained 0.6% while the broader TOPIX rose 1.3% through the week.
- Chinese equities dropped last week as a slew of data points indicated that the economy's slowdown may have become entrenched, and Bloomberg's report of over US\$10.7bn of outflows by foreign funds hurt sentiment. However, the weekend brought news of active stimulus and reform in the economy's housing and capital markets, which led to upbeat trading on Monday morning. The CSI 300 and HSI both fell 2.0% last week, but both gained close to 2% within an hour of market opening on Monday.

FIXED INCOME

- Rates were volatile through the week across the curve, with 10-year Treasuries touching their highest yields since 2007 (4.36%) while 2-year yields floated around the 5% level before settling firmly above 5% after Powell's hawkish Jackson Hole speech.

FOREX

- Australia's Retail Sales, a measure of the country's consumer spending increased 0.5% in July M-o-M, compared to consensus of 0.3%, but the AUD/USD pair was unfazed from the optimistic Australian data, with spot trading at 0.6404.
- WTI consolidates below the US\$80.00 region amidst China's economic woes and the Fed holding interest rates higher for longer. OPEC+ production cuts have continued to support the oil market.

MACRO

- The BoJ may be increasing focus on the JPY's depreciation instead of solely bond market liquidity as the latter has improved significantly since March, while recent policy releases include new language that emphasize managing foreign exchange volatility.

DIRECT EQUITIES

- BYD Company Limited (SHE: 002594) buys US-based manufacturing firm Jabil for 15.8 bn yuan (US\$2.17 bn). The deal will grow the electric vehicle maker's customer base as it aims to capture potential growth in the sector.

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