



CROSS WEEKLY

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22 January 2024

Brief Weekly Overview

University of Michigan's monthly consumer sentiment rose 9.1 points to 78.8 while consumers' inflation expectations reduced to 2.9%. Expectations of ebbing inflation was priced into markets but the lack of the support from activity caused the majority of Treasury yields to rise.

Florida Governor Ron DeSantis exited from the 2024 US presidential race while endorsing Donald Trump, leaving Trump and Nikki Haley as candidates ahead of the New Hampshire primary on Tuesday.

Continued foreign outflows has increased downward pressure on the Chinese yuan, with the offshore yuan weakening more than 1% this year after falling almost 3% in 2023. Pessimism over Chinese assets is spreading to the yuan and government bonds.

The BoJ is expected to maintain its short-term policy rate at -0.1% and leaving its yield curve control program intact on Tuesday.

Tensions in the Red Sea is starting to disrupt shipments of perishable foods, pushing up prices as vessels are diverted. If disruptions deteriorate, the slowdown in food inflation could stall, underscoring the frailty of food supply chains.

Robert Holzmann, Governing Council member, warned that lingering inflation, exacerbated by the escalating conflict in the Middle East, will prevent the ECB from lowering interest rates this year even in a recession.

NAME	CURR	LAST PRICE	DAILY CHANGE	MTD	YTD
EQUITIES					
MSCI ACWI Index	USD	724.32	1.02%	-0.37%	-0.37%
S&P 500 Index	USD	4839.81	1.23%	1.47%	1.47%
Dow Jones Industrial Average	USD	37863.80	1.05%	0.46%	0.46%
Nasdaq Composite Index	USD	15310.97	1.70%	2.00%	2.00%
STXE 600 PR Index	EUR	469.24	-0.26%	-2.04%	-2.04%
FTSE 100 Index	GBP	7461.93	0.04%	-3.51%	-3.51%
MSCI Asia Ex. Japan Index	USD	603.95	1.06%	-5.86%	-5.86%
Nikkei 225 Tokyo	JPY	35963.27	1.40%	7.47%	7.47%
Shanghai A Share Index	CNY	2969.58	-0.47%	-4.79%	-4.79%
MSCI EM Index	USD	970.91	1.00%	-5.16%	-5.16%
FIXED INCOME					
US2YT Yield	-	4.3845	3.21bps	13.46bps	13.46bps
US10YT Yield	-	4.1226	-1.95bps	24.35bps	24.35bps
Bunds 10Y Yield	-	2.3420	-0.71bps	31.8bps	31.8bps
BBG USD HY Corp	-	7.8900	-1.01bps	30bps	30bps
FOREX					
Euro/US Dollar	USD	1.0898	0.20%	-1.28%	-1.28%
US Dollar/Japanese Yen	JPY	148.1200	-0.03%	5.02%	5.02%
US Dollar/Singapore Dollar	SGD	1.3408	-0.25%	1.55%	1.55%
British Pound/US Dollar	USD	1.2703	-0.02%	-0.22%	-0.22%
US Dollar/ Chinese Yuan	CNY	7.1934	-0.04%	1.32%	1.32%
Australian Dollar/ US Dollar	USD	0.6597	0.37%	-3.16%	-3.16%
US Dollar Index	-	103.2880	-0.24%	1.93%	1.93%
GOLD / OIL					
Brent Crude	USD	78.56	-0.68%	1.97%	1.97%
Gold Spot Price	USD	2029.49	0.30%	-1.62%	-1.62%



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EQUITIES

- The abbreviated week ended on a strong note with gains mostly driven by outperforming mega cap and semiconductor shares. The broader market saw softer price action resulting from rising market rates as participants recalibrated rate cut expectations from Fed officials' comments and stronger economic data. The S&P 500 climbed 1.2% while the tech-heavy Nasdaq 100 climbed 2.9% through the week.
- Dovish comments by ECB policymakers reduced market expectations for a near-term interest rate cut. ECB President Christine Lagarde increased likelihood of rate cuts in summer. Germany shrank 0.3% in Q4 2023 but avoided a technical recession. The pan-European Stoxx 600 fell 1.6% in a week.
- The Nikkei 225 Index climbed 0.2% while the Topix fell 0.6% over the week. Easing inflationary pressure dampened expectations about any shift in the BoJ's monetary policy at its January 22-23 meeting. The yen weakened to JPY 148 in response. The BoJ will be waiting for more data, including the outcome of "shunto" wage negotiations in April, before any shifts in its stance.
- Despite China's GDP expanding 5.2% in Q4 2023 Year-over-Year, retail sales rose lower than expected at 7.4% in December and youth jobless rate was 14.9%. The Shanghai Composite Index fell 1.9% while the CSI 300 retreated 0.3%. The Hang Seng Index retreated 5.6%.

FIXED INCOME

- 10-year US Treasury yield hit their highest levels since early December, an increase by 23 bps to 4.16%, after strong December US retail sales of 0.6% and consumer sentiment on the University of Michigan's survey hit a 2.5-year high at 78.8 above consensus of 70.1. The market is now pricing in 140 bps of easing for 2024, down from 175 bps.

FOREX

- The EUR/USD extended its gains, trading approximately 1.0910 after upward support on an improved risk sentiment ahead of the ECB January monetary policy meeting scheduled to be released on Thursday.

MACRO

- Japan's national CPI excluding fresh food slowed to 2.3% in December Year-over-Year, matching consensus, attributed by declines in electricity and gas prices. This supports the BoJ's view that there is no rush for the central bank to make its rate hike.
- US retail sales increased 0.6% above consensus of 0.4%, the fastest pace of spending since September, further casting doubt on early rate cuts by the Fed.

DIRECT EQUITIES

- Exxon Mobil Corp. (NYSE: XOM) filed a lawsuit against US and Dutch climate activist investors to stop climate proposals at its annual shareholder meetings. A judgement in the company's favour would tighten the Securities and Exchange Commission's (SEC) interpretation of the rules around what proposals get on proxy ballots across corporate America.

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