

February 21, 2022

# Monday Briefing – 21st February 2022



## HIGHLIGHTS

- Geopolitics took the driving seat last week on financial markets and didn't offer any respite following the macro and monetary drivers of previous weeks
- The jittery mood amongst investors drove some easing on US front-end rates before we entered a weekend of more questions than answers on the diplomatic game around Russia-Ukraine tensions. De-escalation attempts, as well as conflicting narratives from western and Russian leaders, are likely to carry on into this week
- Gold spiked above \$1900 while oil suffered its first weekly loss of the year on optimism over Iran nuclear talks and the subsequent supply implications
- The latest Fed minutes (from the January meeting) were relatively benign as they contained no major surprises or overly hawkish commentary and thus helped short-term interest rates to stabilize. They also did not contain any clues about the amplitude of the March hike nor about the pace of balance sheet reduction later in the year

- After an extremely weak report for the month of December, January's US retail sales report came in at nearly double the expected pace, rising 3.8% m/m. While inflated by higher prices and partly in response to last year's weak finish, the report showed underlying strength in the US economy despite consumer sentiment sagging to a decade-low in recent months
- ECB Chief Economist, Philip Lane, changed his position on inflation by stating that it was unlikely to drop below the 2% target in the next two years because of higher inflation expectations and structural shifts in the economy
- China's consumer price inflation for January slowed to +0.9% YoY, strengthening the case for monetary and fiscal policy divergence with most of the world, and supportive of the Chinese equity market which delivered positive returns for the week
- In corporate news, Meihua International Medical Technologies Co. became the first China-based company to conduct an IPO in the US since Didi's IPO sparked regulatory backlash. Regarding China's property sector, the Chinese developer, Zhenro Properties Group Ltd. mentioned that it may not have enough cash to meet its debt payments next month.
- Walmart's earnings report marked the unofficial end to the US earnings season

## ECONOMIC CALENDAR

**Monday** – Eurozone, UK Japan Composite PMI (Flash, February). China Loan Prime Rate and House Price Index (January). Germany PPI (January).

**Tuesday** – Germany IFO Business Climate (February). Italy Inflation (January). US House Price Index (December), Composite PMI (Flash, February), Conference Board Consumer Confidence (February).

**Wednesday** – Germany Gfk Consumer Confidence (March). France Business Confidence (February). Eurozone Inflation (Final, January).

**Thursday** – France Consumer Confidence (February). Italy Industrial Sales (December). US GDP Growth / PCE Prices (2nd estimate Q4), New Home Sales (January), Weekly Jobless Claims.

**Friday** – UK Gfk Consumer Confidence (February). France PPI (January). Germany and France GDP Growth (Final, Q4). France Inflation (Preliminary, February), Jobseekers (January), Household Consumption (January), PPI (January). Eurozone M3 Money Supply (January). Italy Business and Consumer Confidence (February). Eurozone Economic Sentiment and Consumer Confidence (February). Spain Business Confidence (February). US Durable Goods Orders, Personal Income and Spending, PCE Price Index, Pending Home Sales (All January) and Michigan Consumer Expectations (Final, February).

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