

March 21, 2022

# Monday Briefing – 21st March 2022



## HIGHLIGHTS

- Equity markets rebounded last week, with the MSCI World index delivering its first weekly gain in six weeks, reclaiming the ground lost over the past month.
- Volatility persisted as the war in Ukraine remains as the dominant driver of investor sentiment with conflicting headlines as well as cautious optimism that negotiations between Ukraine and Russia could yield a peace plan.
- After two years of holding borrowing costs near zero, the Federal Reserve took the first step toward normalizing its policy. The Fed raised interest rates by 0.25% and signalled hikes at all six remaining meetings in 2022.
- Even if the Federal Reserve downgraded its forecast for economic growth while upwardly revising inflation projections, the Fed's view is that a robust US economy can weather the campaign against high inflation which is now underway.
- While the equity market seemed satisfied with the Fed's approach, US Treasury yields shifted higher amid a further flattening of the Treasury curve with the 5-year yield briefly

eclipsing the yield of the 10-year Treasury note.

- Meanwhile, the Bank of England hiked by 0.25%, as widely expected, becoming the first major central bank to bring its key rate back to the pre-pandemic level. Although the BoE raised interest rates, markets discerned a more dovish tone in policymakers' comments and scaled back expectations for more hikes.
- The perfect storm of geopolitical, regulatory, property, Covid and economic related factors behind the selloff in Chinese Tech dissipated after China State Council declaration that it vowed to ensure stability in capital markets, support overseas stock listings, resolve risks around property developers and complete the crackdown on Big Tech "as soon as possible". The PBoC followed suit with a statement saying the central bank would help implement the policies.
- Another story that was closely watched by markets is whether Russia would default on its foreign debt. Finally, Russia's sovereign bond payments made their way to custodian and paying agents, enabling payments to creditors.

## ECONOMIC CALENDAR

**Monday** – China Loan Prime Rate (March). Germany PPI (February).

**Tuesday** – Eurozone Current Account (January).

**Wednesday** – UK Inflation (February). US New Home Sales (February). Eurozone Consumer Confidence (Flash, March). BoJ Monetary Policy Meeting Minutes. European Council Meeting.

**Thursday** – US, Eurozone, UK, Japan Composite PMI (Flash, March). France Business Confidence (March). US Durable Goods Orders (February). Weekly Jobless Claims. European Council Meeting.

**Friday** – UK Gfk Consumer Confidence (March), Retail Sales (February). Eurozone M3 Money Supply (February). Germany IFO Business Climate (March). Italy Business and Consumer Confidence (March). France Unemployment (March). US Michigan Consumer Sentiment (Final, March), Pending Home Sales (February). European Council Meeting.

**Sunday** – China Industrial Profits (February)

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