

April 11, 2022

Monday Briefing – 11th April 2022



HIGHLIGHTS

- It was another rough week on bond markets: US Treasuries extended losses, with yields on the 10-year hitting above 2.70% and the 2-year climbing above 2.50%.
- Major US equity indices finished down for the week, with sector performance wildly divergent: typically defensive consumer staples and health care sectors registered solid gains, while IT, communication services, and consumer discretionary took sharp losses. Shares in Europe rose modestly though France's CAC 40 Index fell 2.04% on election uncertainty.
- Following voting on Sunday, Emmanuel Macron has won the first round of the presidential election and will face off against Marine Le Pen in the second round on April 24th.
- Sentiment is still largely dominated by inflation, anticipation of monetary policy tightening and the ongoing geopolitical crisis in Ukraine.
- Minutes of the March FOMC revealed officials strongly considered raising rates by 0.5%

last month (though geopolitics compelled them to stick with 0.25%) and that they neared agreement on a plan to reduce the central bank's balance sheet by allowing as much as \$95bn of securities to mature each month, without being replaced by new bonds.

- A hawkish Fed may be further emboldened by the increasingly strong labour market: last week, weekly jobless claims fell to 166k - the lowest level since 1968.
- The ECB also published minutes which revealed that many members believe that the current high level of inflation and its persistence calls for immediate further steps towards monetary policy normalization.
- A growing pile of economic sanctions affecting all manner of essential goods and materials does not make the lives of central banks any easier when it comes to managing inflation expectations and actual inflation. Already the conflict has seen energy and food prices rise meteorically and this will be visible in inflation data which is due for the US and Germany tomorrow, and for the UK, Spain, France and Italy throughout the rest of the week.
- In the corporate world, Elon Musk made headlines by purchasing a more than 9% stake in Twitter and accepting a position on the board; Twitter shares were up 17% on a weekly basis. However, on Sunday night, Twitter CEO Parag Agrawal tweeted that Musk has subsequently decided not to join the board.

ECONOMIC CALENDAR

Monday – China Inflation Rate (March). UK GDP and Industrial Production (February). US Consumer Inflation Expectations (March).

Tuesday – UK Retail Sales (March), Unemployment and Average Earnings (February). Germany Inflation (Final, March). Eurozone ZEW Economic Sentiment Index (April). US NFIB Business Optimism Index (March). US Inflation data (March). China M2 Money Supply (March). OPEC Monthly Report.

Wednesday – Japan Reuters Tankan Index (April) and Machinery Orders (February). China Balance of Trade (March). UK and Spain Inflation (March). Italy Industrial Production (February). US PPI (March). Bank of Canada Monetary Policy Meeting.

Thursday – **ECB Monetary Policy Meeting**. US Retail Sales (March), Michigan Consumer Confidence (Preliminary, April), Business Inventories (February), Weekly Jobless Claims.

Friday – China Unemployment, House Price Index (both March), EU New Car Registrations (March). France and Italy Inflation (Final, March). US Industrial Production (March).

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