

June 13, 2022

Monday Briefing – 13th June 2022



HIGHLIGHTS

- Equity markets finished the week with steep losses following a larger-than-expected hike from the Australian central bank, hawkish posturing from the ECB, and a very strong US CPI print. These factors catalysed strong risk-off sentiment and the unwinding of some of the trades entered on the back of the “peak-inflation” narrative.
- The European Central Bank committed to a quarter-point interest rate increase next month and opened the door to a bigger hike in September. Despite a more hawkish stance, the euro reacted negatively as the ECB doesn’t seem to have a plan ready to address the possible widening of Southern European yields.
- The ECB also confirmed that net asset purchases would conclude at the end of the month, while at the same time, downgraded its growth forecasts and upwardly revised its inflation projections significantly.
- Friday’s US May CPI was the most anticipated event of last week, and it more than disappointed. Headline inflation was up 8.6% from a year earlier, above consensus estimates and higher than April’s 8.3% reading, disappointing investors who had been looking for price increases to slow. Core CPI climbed 6% from a year ago, also faster

than consensus estimates.

- Government bond yields jumped in response to the ECB policy meeting as well as the stronger US CPI with most curves flattening on expectations of more aggressive monetary policies.
- State Street ruled out its bid for Credit Suisse after takeover rumours, the same day that Credit Suisse posted its sixth profit warning in seven quarters.
- Stocks in China had a good week on signs that Beijing was easing its crackdown on the technology sector, ending its probe on Didi, allowing ride-hailing mobile apps back onto domestic app stores and with media outlets reporting that authorities were in talks (later denied) about reviving Ant Group's IPO. Furthermore, China's gaming regulator granted licenses to 60 online games.
- The FOMC, BoE and BoJ meetings this week will most probably mean that investor unease will persist. Obviously, the Fed's long-term economic projections and the dot plot will be in focus for investors hoping to gauge policymakers' outlook.

ECONOMIC CALENDAR

Monday – UK GDP and Industrial Production (April). US Consumer Inflation Expectations (May).

Tuesday – Japan Industrial Production (April). Germany Inflation (Final, May). UK Unemployment Rate (April). Eurozone ZEW Economic Sentiment Index (June) and Industrial Production (April). US NFIB Optimism Index (May), PPI (May). OPEC Monthly Report.

Wednesday – China Industrial Production, Retail Sales, Fixed Asset Investment, Unemployment Rate (all May). France Inflation (Final, May). US Retail Sales (May), Business Inventories (April), NAHB Housing Market Index (June). **US FOMC meeting with Economic Projections.** Brazil Monetary Policy Committee.

Thursday – China House Price Index (May). Italy Inflation (Final, May). Eurozone Wage Growth (Q1). Bank of England Monetary Policy Committee. US Building Permits and Housing Starts (May), Weekly Jobless Claims.

Friday – Bank of Japan Monetary Policy Committee. UK Retail Sales (May). Eurozone Inflation (Final, May). US Industrial Production (May), Conference Board Leading Index (May).

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