August 1, 2022

Monday Briefing – 1st August 2022

HIGHLIGHTS

- Equities on both sides of the Atlantic ended the week higher.
- In the US, this was despite another 75bp hike from the Fed and data showing that the economy contracted 0.9% in Q2; a "bad news is good news" mood has taken hold, in that investors hope weaker data might compel the Fed to temper its hawkish tightening campaign.
- Eurozone Q2 GDP growth surprised on the upside at 0.7%, boosted by a return of tourism in countries like Spain, Italy and France. Germany's economy stalled.
- Inflation in the bloc hit a new all-time high, at both headline and core level, coming in at 8.9% (from 8.6%) and 4.0% (from 3.7%), respectively.
- Gas supplies thought the Nord Stream 1 pipeline were reduced from 40% capacity to 20%, as work on another turbine began. This stoked fears of winter gas shortages and a spike in the price of European gas futures. In September, EU countries will present their plans as to how to the plan to curb demand by 15% ahead of winter.

- The IMF downgraded its global growth forecast to 3.2% this year and 2.9% next year, while inflation was revised upwards to 6.6% in advanced economies and 9.5% in emerging and developing economies. The organization noted that the global economy is still reeling from the pandemic and the conflict in Ukraine, with the risks “overwhelmingly tiled to the downside”.
- On Thursday, the Democrats’ Inflation Reduction Act was unveiled, which, if it passes through Congress, will represent the biggest step the US has ever taken to tackle climate change. On the same day, Congress passed the $280bn Chips Act. The bill includes $52bn in subsidies to encourage chip manufacturers to build semiconductor fabrication plants in the US.
- Tech giants posted better earnings than had been feared.
- This week, employment data will be in focus with the Eurozone unemployment rate due today; over the pond, we will have the US JOLTs survey on Tuesday, before the unemployment rate and non-farm payrolls on Friday. Final PMI data will be released, either confirming or revising the flash data we already had last week, OPEC+ will meet and on Thursday, the Bank of England will host its monetary policy committee.

ECONOMIC CALENDAR

Monday – US, Eurozone, China (Caixin) Manufacturing PMI (Final, July). Germany Retail Sales (June). Eurozone Unemployment (June).

Tuesday – Spain Consumer Confidence (July). US JOLTs Job Openings and Quits (June).

Wednesday – US, Eurozone, UK, China (Caixin) and Japan Composite PMI (Final, July). Eurozone Retail Sales (June), PPI (June). US ISM Non-Manufacturing PMI (July). Factory Orders (June). OPEC+ Meeting.

Thursday – Bank of England Monetary Policy Committee. US Weekly Jobless Claims. Japan Household Spending (June).

Friday – Germany, France, Spain, Italy Industrial Production (June). US Unemployment, Average Hourly Earnings and Non-Farm Payrolls (July).

Sunday – China Balance of Trade (July)

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