

October 24, 2022

Monday Briefing – 24 October 2022



HIGHLIGHTS

- Multiple twists and turns were still at play on interest rates, but major equity markets managed to climb the proverbial wall of worry, ending the week noticeably higher.
- This resilience of equity markets was even more remarkable as it happened in a week where the yield on the 10-year US Treasury traded above 4.30%, the market implied terminal rate for the Fed policy reached 5% for H1 2023 and macro data offered little evidence on how deeply the Fed's rate hikes are cutting into growth.
- In the UK, the new finance minister scrapped almost all planned tax cuts in bid to appease financial markets, while Liz Truss became the shortest-ruling prime minister in British history. In addition, the Bank of England confirmed it will begin selling bonds on November 1 that it accumulated under its quantitative easing program.
- The EU leaders agreed during their energy summit to come up with a "temporary dynamic price corridor on natural gas transactions" as a solution to conclude the political debate around gas price caps
- Yen weakness was again in the spotlight after moving above the 150 level versus the US

dollar, a 32-year low, before suddenly reversing course at the end of the week with media reporting that the Japanese authorities intervened to buoy the currency

- With the ECB's focus still squarely on the risk that overly high inflation will become entrenched, the market consensus is that the ECB will proceed with another 75bp hike this week. Another hot topic will be the remuneration of banks' reserves. On this issue, the expectation is for the ECB to tweak the remuneration system of reserves to lower its costs and incentivise the early repayment of TLTRO liquidity.
- This week we will also get Q3 GDP data and flash PMIs for the US and Europe. In corporate earnings, we will hear from big tech, oil majors, leading automakers and staples firms.

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