

November 21, 2022

Monday Briefing – 21 November 2022



- US equity indices couldn't sustain the optimism that struck following the CPI print and ended the week with modest losses, driven by hawkish Fed comments, with St. Louis Federal Reserve President James Bullard suggesting that the terminal rate for Fed funds rate should be between 5% and 7%.
- Europe's blue-chip index closed the week with some gains but narrowly missed closing in a bull market after briefly rallying 20% from its September low. Germany's Dax was the most successful, crossing the bull threshold on Tuesday.
- The release of a softer-than-expected US PPI - especially core PPI that remained flat for the first time in two years - added to the narrative of a US economy that has past the worst when it comes to inflation.
- Oil suffered with Brent down around 9% and WTI roughly 10% for the week while the structure of futures markets shifted in ways that reflect dwindling supply concerns.
- Crypto stress continued following the collapse of FTX, the second largest cryptocurrency exchange in the world, which unleashed further bombshells with liquidators citing "serious fraud and mismanagement" in court filings. It was commented that the FTX saga is the worst case of corporate failure seen in more than 40 years.
- Germany's largest trade union agreed a below-inflation pay deal in Baden-

Wuerttemberg, setting the benchmark for 3.9 million metal and electrical sector workers nationwide and pointing to containable wage pressures in the broader euro zone. Wages will rise 5.2% from June 2023 and 3.3% from May 2024, with lump sums of EUR 1,500 to be paid in both years, below the 8% originally demanded by the union.

- UK finance minister Jeremy Hunt unveiled tax increases, spending cuts, and new fiscal rules in his Autumn Statement, with an eye toward repairing public finances and restoring Britain's credibility in international markets.
- Conclusions of the G20 summit, as well, to some extent, as the COP27, gave positive signals that multilateralism is not dead.
- This week, the FOMC minutes and the ECB's account will be key. Focus will likely be on their thinking about the terminal rate and QT plans, respectively. The upcoming Black Friday, the day after the US Thanksgiving holiday and traditionally one of the year's biggest shopping days, will also give investors greater insight into the extent that consumers are opening their wallets.

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