

November 28, 2022

Monday Briefing – 28 November 2022



HIGHLIGHTS

- Stocks provided another decent rally, confirming the current uptrend of higher highs and higher lows. The European Stoxx600 index was able to deliver a sixth consecutive weekly gain, the longest winning streak in a year, while the S&P 500 Index finished above the 4,000 level for the first time in two months.
- Economic news was mixed. In Europe, flash PMIs, German GDP data, IFO numbers and Italian consumer and business morale surveys, all indicated that the economy has found a floor. In the US, weak macro data (PMI fell to its lowest level in 2 years) was treated as good news by markets as the focus remained on above-target inflation, which has prompted the most aggressive rate hike cycle in decades.
- The Fed minutes confirmed what most Fed members have been communicating since the last meeting:
 - the terminal rate will be higher than initially expected
 - rates will stay higher for longer
 - a slowdown in the pace of rate increases is likely ahead.

Additionally, Fed staff economists warned that probability of US recession in 2023 is now near 50%.

- The PBOC reduced the reserve requirement ratio for most banks by 0.25%. It was also reported that many of China's large state banks agreed to boost lending to real estate developers following the government's announcement of a property sector support package. Stocks in China were mixed as concerns regarding authorities' response to its growing COVID outbreak continued to be in focus. For now, Chinese authorities seem to be attempting to a more targeted and less disruptive approach. Protests erupted at the Foxconn iPhone factory over unpaid wages and hygiene conditions while civil disobedience mounted against Covid restrictions.
- The Biden administration banned the importation or sale of certain technology products from China's Huawei Technologies, ZTE, Hikvision and Dahua claiming they pose "an unacceptable risk" to US national security.
- In the commodity complex, oil continued to be the talk of town, with prices attacking the \$76 WTI pivot point for a second time last week. Saudi Arabia denied discussions about an increase of oil supply (WSJ article) at the forthcoming OPEC+ meeting on Dec 4th
- EU proposals for a gas price cap met resistance with Spain's environmental transition minister quoting this as "not a proposal but a mockery". Later during the week, diplomats were locked in negotiations over how strict a price cap on Russian oil should be.
- US Black Friday online sales hit a record \$9.1bn, increasing by 2.3% vs. 2021 Black Friday, defeating predictions of a muted online shopping season this year, with consumer wallets being bitten by high inflation and recession fears.

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