

December 12, 2022

Monday Briefing – 12 December 2022



HIGHLIGHTS

- The rally that began mid-October stalled last week as financial markets were driven by a risk-off bias on growing concerns about a potential recession.
- The S&P 500 Index recorded its worst return in five weeks and was unable to stay above its 200-day moving average.
- The notable exception came from Chinese stocks, spurred by the prospects of reduced Covid-19 restrictions.
- Financials were in the spotlight as several bank executives offered recession warnings, while Credit Suisse completed its latest rights offering, the first milestone on its restructuring path.
- US PPI figures surprised moderately to the upside, rising 7.4% on a year-over-year basis versus consensus expectations of around 7.2%. US CPI this Tuesday will offer a catalyst for renewed market swings as investors parse the data through the lens of Fed policy implications.

- Revised data showed that the eurozone economy expanded 0.3% sequentially in the third quarter, up from a first estimate of 0.2%.
- The central bank governor of Ireland and the governor of the Bank of France added their voices to growing support among ECB policymakers for a half-percentage-point rate increase this month, which would take the deposit rate to 2%.
- US 10-year Treasury yields touched 3-month lows but ended the week roughly unchanged. Further yield curve inversion demonstrated that the bond market is coming around the idea of a harder economic landing.
- The downward trajectory of the oil price continued, leaving it at its lowest levels of the year so far. This is despite a brief surge in prices after the Keystone US oil pipeline was shut following a leak and despite signs of China's reopening.
- China's producer price inflation was negative in November, and the consumer price inflation rate slowed, with year-on-year CPI down to +1.6%, from +2.1% in October, offering policymakers more space to stimulate the economy if required.
- Those hoping to ease into the holiday season will have to at least wait for the end of this week, as investors will have to digest a packed calendar of events, including the Fed, the BoE, and ECB decisions. In all three cases, consensus expect a step down in the size of rate hikes to 50 basis points, from 75 bps.

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