

Week ahead. Week beginning 11-04-2022

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Holiday shortened week with Easter break starting with Good Friday when all markets are shut. Markets remain shut next Monday apart from North American markets which are open as usual.

Markets Review / Preview –

Review

FTSE +131 +1.75% DOW unch S&P +56 +1.27% NASDAQ -59 -0.43%
DAX -162 -1.13% NIKKEI -680 -2.46% Hang Seng -167 -0.76%

Equities sold off last Wednesday in reaction to the **FED minutes** from the last FOMC meeting, where policy makers said they would **act aggressively** with **rate rises** if needed. The FED also announced its plans to **shrink its massive balance sheet**, accumulated over the past dozen years or more. Lael Brainard

effectively trailed this in a speech last Tuesday as **bond markets adjust** to the reality that the FED may well be behind the curve.

Markets expect a full **0.5% hike in rates** at the **next FOMC meeting on 4th May**.

Analysts now expect the **ECB to start raising rates soon** although **unlikely** at this next policy meeting **this Thursday**.

EURUSD -1.71 -1.54% GBPUSD -0.78 -0.6% USDJPY +1.74 +1.42%

The US dollar **rallied further last week** as investors priced in the possibility of **aggressive FED tightening**. The **yield** on US treasuries have risen to a **3-year high** – with the closely watched **10-Year treasury Bond yielding 2.64%**. Only a **month ago** the 10 year was **yielding 2.01%**.

The **French Presidential election** looks more **in the balance** following yesterdays first round. **Marine Le Pen**, from the right, will **challenge Macron** in the **run-off poll on the 24th of April**. Although Macron was the convincing winner, with just two candidates in the run-off, **pollsters believe** the outcome will be **very close**. A **win for Macron would be positive for the euro** in terms of stability and the devil you know, the **opposite the case for a victory for le Pen**.

Gold +22 +1.14% UK OIL -2.1 -2.01% US OIL -1.59 -1.6%

Bitcoin -4,031 -8.7%

Gold remains constrained between the effects of the **massive global event in Ukraine** and a **sharply higher US dollar**. The chart clearly shows a significant amount of **support in the 1920 / 1905 region**. This will be key and needs to hold if the precious metal is to push back above 2,000.

Oil continues to slip back down with **US Oil falling back below \$100 / bbl**. The **inability of the EU to agree on any Russian oil & gas embargo** has reduced further supply pressures. **Hungary** has announced that it would effectively **veto** any move to embargo Russian energy whilst **Germany and Austria would find it impossible to manage their needs** with a complete embargo. Germany believes will be able to wean itself off Russian energy in 2023 but for the time being the **EU has paid €34 Bln to Russia** for energy whilst providing **just €1.5 bln financial aid to Ukraine**. That's where the problem lies.

Data / Events this week

Although a **shortened week with the Easter celebrations** starting this Friday, there are some key releases before then.

Monday

Germany

ZEW economic sentiment indicator. A survey of investor sentiment from German institutional investors and analysts.

Tuesday

US

Inflation data. CPI – reported by FF on a monthly change. Headline data is **year on year change**. The headline rate is expected to hit **8.4%, up from 7.9%** - the **highest rate since 1981**. Whilst the **core rate**, which excludes food and energy, is expected at **6.6%**,

up from 6.4% last month. Markets will react negatively if this rate is worse than these predictions. **Equities, bonds, USD and commodities all sensitive to this news.**

US

FOMC member **Lael Brainard speaking** again. Last Tuesday she made it clear that the FED would have to **start shrinking its massive balance sheet** in the months ahead, especially if the **FED remains behind the curve** in its **battle with inflation.**

Wednesday

NZ

RBNZ policy meeting. Expect another increase of 0.25% to 1.25%. contrast this with the Australian position.

UK

Inflation data. CPI expected to rise to 6.7% from 6.2%. This will result in an inevitable rise in rates at the next MPC meeting on 5th May. GBP and Gilts sensitive.

US

PPI – producer Price Index – the costs of goods and services going into production.

Canada

BOC policy meeting. Expect BOC to **raise rates by 0.5%** with **inflation tracking higher** and as **record high employment and record high house prices** show no sign of abating.

Thursday

ECB

Monthly policy meeting. No change this time around although the ECB has become **noticeably more hawkish** – about time many would say. More likely a **rate rise in the June** meeting. Euro, European equities all sensitive to this announcement.

US

Core retail sales. Expect better number than last month.

US

Prelim UoM consumer sentiment.

Friday

Markets closed