

Markets News - 14-02-2022

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The **Ukraine / Russia crisis** became more pressing towards the end of last week as US intelligence suggested an attack on Ukraine was imminent this week – possibly Wednesday.

Markets reacted with a **risk-off move** that saw equities fall, bonds rise and **oil** catapult nearer to the **\$100 mark**.

Reports in the media suggest Russia is not too bothered about the severity of sanctions threatened by the West. Russia holds a key card in **oil and gas supplies**, and it depends to what extent Europe is to carry out an **act of self-harm** in retaliation with this possible move.

Whatever happens on the ground, the reality is that this is a war in Europe, albeit limited will **impact millions**. There will be **significant repercussions to central Europe** and those states bordering Russia and Ukraine.

The scale of the **humanitarian impact** will be **greater** than that of the mass **Syrian exodus**, as **hundreds of thousands of Ukrainians** are likely to flee over the border to Poland, Hungary, and Romania.

Review

FTSE +55 +0.73% DOW -163 -0.46% S&P -67 -1.5% NASDAQ -381-2.6%
DAX unch NIKKEI -235 -0.85% Hang Seng +187 +0.76%

Aside from the Ukraine news, markets continue to react to the ever-increasing prices, with Bond markets reacting very negatively to the **US inflation** reading of **7.5% in January**, higher than the forecast and **notching a 40-year high**.

Bond markets took fright again, as you might expect, as investors tried to gauge what this would mean for the Federal Reserve's rate setting committee. Citibank economist now expects a **rise of 0.5% at the March meeting** with possibly **5 more rate hikes to follow this year**.

Not surprising that **10-year treasury yields touched the psychological 2% level**, albeit yields have drifted slightly lower since then.

UK markets continue to **outperform other international indices** with Oil majors and other resource companies riding high on the oil price spike.

EURUSD -1.03 -.89% GBPUSD ++0.25 +0.2% USDJPY +0.28 +0.24%

The **USD recovered** some of its lost ground from the previous week.

To what extent the **ECB is expected to raise rates** this year will have a significant bearing on the euro's strength. Comments over the weekend from the Irish central bank suggested a rate rise would not happen for some time.

Gold +51 +2.82% UK OIL +2.25 +2.42% US OIL +1.93 +2.1%

Bitcoin +806 +1.93%

Gold is finally **reacting the Ukraine / Russia crisis**. A few years ago, with inflation out of control and a potential war in eastern Europe, you would have expected gold to be through the roof. Perhaps if it were a bungalow, it would

be – but nevertheless it is now reacting with one of **strongest weekly gains for 9 months.**

Oil jumped on the Ukraine news and is now in **touching distance of the \$100** level. The question is, **what happens then?**

This will depend in the short term on what **action Russia takes** and **what sanctions may follow.**

Data / Events this week

Big week for UK markets with inflation data out. Plus loads of central bankers speaking at various events.

Monday

EU Lagarde testify on the ECB Annual Report before the European Parliament

US FOMC Bullard – Discussing monetary policy in an interview conducted with CNBC

Tuesday

Germany ZEW Economic Sentiment – survey of Institutional investors and analysts. It may be rosy but recent events will be knocking sentiment.

US PPI – cost of good and services going into production. Suggesting more inflation coming down the pipeline

Wednesday

UK **CPI / Inflation data.** Another rise? Key data for interest rates and GBP. Forecasts are for a flat reading. **Risk** of a **disappointment** I'd say.

US **Core Retail sales.** A rebound after last month's surprisingly large fall.

US **FOMC minutes.** Minutes from last Fed meeting held three weeks ago. Fed watchers keen to read the tea

leaves. What is clear is that **rates are going higher**. CME fed watch graphs show markets expecting rates to hit **1.75% – 2% by year end!!**

Thursday

G20 meetings In Indonesia - usually a big talking shop but more relevant with Ukraine / Russia situation.

According to the FT – the **strangest event of the week** will be on Thursday, when **Russia, as current head of the UN Security Council**, is due to chair a discussion at the body's global headquarters in New York about the **Ukraine crisis**.Err – could be the shortest discussion going.

US

FOMC members Bullard and Mester speaking

Friday

UK

Retail sales. A rebound from last month's shocker.

US

FOMC members Waller and Brainard speaking at a **panel discussion** about the **Fed's new policy strategy** at the US Monetary Policy Forum

Results

UK banks, **Standard** and **Chartered** and **Nat West**, report Thursday and Friday.

Another revival in profits with a more positive outlook as rates rise.