Week ahead. Week beginning 20-06-2022

A full week ahead with markets nursing a big hangover from last week's steep falls in global equities – not just developed but emerging markets crumbled as central banks raised rates in an attempt to reign in rampant inflation.

US markets shut Monday in observance of new federal Holiday – Juneteenth, which is on the 19th, which was Sunday.

Markets Review / Preview

<u>Review</u>

FTSE -301 -4.12% DOW -1,504 -4.79% S&P -206 -5.3% NASDQ -478 -4.78% DAX -635 -4.62% NIKKEI -1861 -6.69% Hang Seng -731 -3.35%

Markets eventually became overwhelmed last week with three key central policy meetings and **three** interest rate rises.

Firstly, the Federal Reserve raised rates by 0.75% which is what markets had priced in. By the close that day equities had rallied a modest amount following comments from Jay Powell, the chairman of the FED, who said moves of this magnitude would “not be commonplace”.

What was undoubtedly the biggest surprise was the move by the Swiss National Bank to raise rates by 0.5% which was totally unexpected but completely understandable.

The news from the Swiss National Bank, an institution known for not rushing into things – they have **not** raised interest rates for just over 15 years – surprised the market and raised rates by 0.5% to minus 0.25%

Even the Swiss economy is not immune to the global forces of inflation.

Following the interest moves by both the Swiss National bank and the bank of England, global stocks fell hard last Thursday with US S&P500 falling 3.2% and the NASDAQ falling 4.1%

Its not just developed but developing equities as well are falling with the MSCI world Index experiencing one of its worst weeks since the start of the pandemic over 2 years ago.

The broad-based S&P500 fell 5.8%, its worst weekly since March 2020 – tagain just at the start of the pandemic.

A gloomy prediction from the Bank of England, that inflation in the UK would top 11% by year-end added to the gloom.

Global markets are now having to contend with more rate rises to come – The Federal Reserve is expected to raise rates by 0.75% at its next **two** meetings with year end rates expected to hit **3.5% to 4%** - compare that with the interest rate of 0 to 0.25% band back in early March.

EURUSD -0.24 -0.23% GBPUSD -0.97 -0.78% USDJPY +0.47 +0.35% .

The USD firmed up a little but with the Swiss National Bank raising rates and the ECB almost certain to raise rates in July, the Dollar may struggle to make further significant gains ahead of the parity reading versus the Euro.

Gold -22 –1.17%   UK OIL -8.39 -6.89% US OIL -10.22 -8.5%
Bitcoin -8,619 -29.65%

Oil slumped in sympathy with the sharp falls in equities. Whilst the supply of crude remains an issue, demand will inevitably wane if parts of the developed world go into recession.
Crypto assets fell alarmingly following falls in equities. Bitcoin, the most heavily traded crypto fell 30% last week – having now fallen just over 70% since mid-November last year.

Data / Events this week

Monday

US	New holiday – **Juneteenth** - Federal Holiday – Official Independence Day – Equity and bond markets closed.
Eurozone	**Lagarde Speaking**– Eurozone assets sensitive.
US	**Fed member Bullard speaking**. USD and equities sensitive.

Tuesday

Wednesday

UK	**CPI** – Inflation data. Seems to come around more quickly these days. Expect small increase to 9.1% from 9%. Rumours the number more be slightly lower may take pressure off if that comes to pass. However, BoE still expects headline inflation to hit 11% before4 year-end.

US	**Jay Powell testifying over two days at semi- annual Monetary Policy report in Congress**. A key time for the markets with any comments latched upon.

Thursday

Eurozone, UK & US	**Flash services and manufacturing PMIs**. A **KEY** measure of economic activity that will likely underline the corrosive effects of inflation. All markets sensitive to these releases.

Friday

UK	**Retail sales**. A poor reading expected as consumers tighten their belts in the face of rising prices. Supermarkets already reporting slight declines in volume of sales. GBP, UK equities sensitive.
US	**University of Michigan Consumer sentiment**. Holding up……for now.