

## Market News 20-09-2021

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Equities markets continue with their losing streak this morning. This time Far East markets are the catalyst as one of the world's **most indebted property developer** struggles. **Evergrande**, which is listed on the Hong Kong exchange, **fell an alarming 19%** following news it was struggling with **debts of more than \$300 Bln.**

The fall in Evergrande **dragged down the Hang Seng by 3.7%**, which is now **down over 12% this year.** That means it is in **official correction territory**, having fallen more than 10% from its highs.

The worry now is **contagion** and how this liquidity crunch for Evergrande will **affect the broader market.** The Chinese property has been experiencing a slowdown and had been impacting other markets as well. **Iron Ore prices collapsed last week by 11.5%** having **fallen 20% last week** – the **biggest fall since 2008** and the start of the great financial crisis.

Other base metals could now come under pressure in the wake of the slowdown in the property development sector.

Other developers and financial institutions also fell on the news as they are at risk of significant loss if Evergrande fails.

### Review

**FTSE -65 -0.93% DOW unch S&P -26 -0.57% NASDAQ -71 -0.47%**  
**DAX -119 -0.77% NIKKEI +118 +0.4% Hang Seng -1285 -4.9%**

The liquidity crunch in the Chinese property sector, combined with a **slowing down in global growth** numbers continues to depress sentiment in equities.

For US equities the market continues to wrestle with the **timing of QE tapering and its impact on the markets.**

Whilst at the same time inflation remains a very hot topic, **especially** here in the **UK** with the impact of the **250% spike in natural gas having significant impact across a wide range of industries.....**not to mention those independent energy suppliers here that are likely to be rescued today.

Re DAX – as from today the **DAX index in Germany is made up of 40 stocks** now – so an additional 10 have been added. This won't affect the index price but it will mean that any original member share of the DAX 30 index will have proportionally a less effect of the index for any given move. In addition, those new stocks that have been admitted will now play their part if the movement in the Index that they comprise.

**EURUSD -0.43 -0.36% GBPUSD -0.95 -0.7% USDJPY +0.3 +0.27%**

The **US Dollar was moderately higher last week** as the **risk-off environment** persisted. The **two-day FOMC meeting this week** will be **pivotal** for the medium-term direction of the Dollar as the **FED look to clarify their plans on the start to tapering the emergency QE program.**

Despite the **bigger than expected inflation** reading last week **here in the UK**, Sterling did not jump at all. If anything, it lost some ground against most majors. Perhaps the view is that inflation is a general western if not global problem. Already economists are now suggesting that price inflation could

start to **herald wage push inflation** – something that is **more difficult to keep a lid on**.

**Gold -33 -1.84% UK OIL +2.48 +3.4% US OIL +2.31 +3.3%**

Gold fell again last week. You'd be forgiven into thinking we were in a period of low inflation but the main driver for Gold is the **US Dollar** and the possible rise in **general rates with the unwinding of QE**. This adds to the **opportunity cost of holding gold**, if interest rates start to rise.

Oil supplies remain tight whilst demand remains buoyant

### **Data / Events this week**

Very Busy week for data this week. Central banks taking the main billing... but we also have key data on manufacturing and services sectors.

### **Monday**

Holiday in Japan and China today. Be interesting to see how mainland Chinese markets react to the Evergrande news when they re-open on Wednesday.

Perhaps the moves in Hong Kong were exacerbated because of the China holiday today.

### **Tuesday**

Australia **Monetary policy minutes.**

### **Wednesday**

Japan **BOJ monthly policy meeting.** Looking better with Suga's departure.

US FOMC policy meeting. **End of two-day meeting** when FED **could announce detail of timing re tapering of QE**. Economists believe the tapering could start in November Some commentators speculate that the poor employment number at the beginning of the month may cause a delay in these plans. Press

conference will also be interesting in the event of the news.

All markets will be affected by this event.

## Thursday

Eurozone, UK and US	<b>Flash manufacturing and services data. Slowing?</b>
Swiss	SNB – monthly policy meeting –. No change
UK	<b>MPC policy meeting.</b> The fourth major one of the week. BOE <b>forecast for inflation</b> will be interesting considering last week's <b>surprise jump in the CPI</b> . Investors will be keen to know about prospects for <b>rate rises and tapering of the QE program</b> .

## Friday

US	Jay Powell speaking at Federal Reserve online event.
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Events.

Elections in a number of countries. Canada, Russia and Germany.

A **change likely coming in Germany**. Federal elections taking place next Sunday 26<sup>th</sup> which will see **Merkel replaced** – possibly by another party's head. Current polling suggests that the **SPD, with 26%, will form the next government** in coalition with the Green Party. The **ruling CDU/CSU is struggling on 21%**.