Week ahead. Week beginning 27-06-2022

A risk-on move last week with equities rallying, bond yields falling and the USd giving just a little ground……

<u>Review</u>

FTSE +192 +2.74% DOW +1,611 +5.39% S&P +236 +6.45%
NASDQ +809 +7.49%
DAX Unchanged NIKKEI +528 +2.04% Hang Seng +644 +3.06%

Market sensitivity ebbs and flows between what's good and bad news for the economy.

Usually the market would be **quite sensitive to poor economic data** – which would **imply that economy's economic activity** would be **slowing**. That's usual.

What happened last week and especially on Friday last week was the release of some particularly poor consumer sentiment numbers that caused equities to rally sharply.

A bear market rally?

The market just correcting after nasty falls the previous week?

Whatever the cause equities had their **best day since May 2020** and the **second best week this year**.

So Friday's numbers. The Consumer Index fell to 50 in June's final reading which is the lowest on record.

However the **five-year inflation expectations** got **revised lower** to 3.1% from the preliminary estimate of 3.3% (a 14-year high).

Now that matters because it will / could **affect Fed thinking** on **future rate rises**. Investors were also reassured by St. Louis Fed President James Bullard, who said worries over a US recession are overblown.

Looking at futures contracts that look to predict future rate rises, the **scale** of **rate rises** by year end **moderated**, albeit only **slightly**.

Looking at some of the moves in **base metals** it appears that some inflationary pressures are subsiding somewhat. Copper has fallen sharply over the past 2 months with the rolling lock downs in China and the war in Ukraine.

Copper has fallen to a 16-month low, reflecting a recession in industrial metals brought about by the ongoing global economic slow-down.

EURUSD +0.64 +0.61% GBPUSD +0.54 +0.44% USDJPY +.31 +0.22% .

The forex markets were **largely quiet last week** with **speculative attention** still focussed on the **Japanese Yen** where hedge funds are placing bets that the **Bank of Japan** will **succumb to the pressures of inflation** and give up on protecting the yield on the JGB (Japanese Government Bond). The Japanese Yen / USD rate has **fallen from 115 to 135 in just 15 weeks** as the **BoJ sticks to its ultra loose monetary policy.**

Gold -13 -0.7% UK OIL unchanged US OIL -2.48 -2.25%
Bitcoin +776 +3.8%

Oil moved sideway to lower last week following the previous week's sharp falls.
The **G7** are discussing a **price cap on Russian Oil**, which the US and EU are keen to implement. The risk is that any further action will **provoke a response from Russia** and a **potential reduction in oil supplies to the West**.
Gold continues to trade sideways in a broad band between 1805 and 1875.
Crypto continues to **track equities** with the risk on move last week p**roviding a little respite** to the speculative sector.

Data / Events this week

Monday

G7	Two more days of **G7 Leaders summit in Germany**. Discussions around **cost of living crisis**, **war in Ukraine** and support for Kyiv, including a potential **price cap on Russian Oil**.
US	**Core Durable Goods**. Softer.

Tuesday

EUROZONE	**Lagarde speaking** at the ECB Forum on Central Banking, in Portugal;
US	Conference Board – **Consumer Confidence**. Key release about **consumer well being**.

Wednesday

Germany	**Prelim CPI**. Pace slowing?
US	FOMC Member Meister speaking about ***"The role of inflation expectations*** *in* ***monetary policymaking"*** at the ECB Forum on Central Banking, in Portugal. Could be interesting for market watchers.
US	**Final GDP reading** for Q1.

EUROZONE	**Lagarde speaking**. Followed by BoE Bailey and Jay Powell from the Federal Reserve. More CB hot air about inflation.

Thursday

US	**Core PCE Price Index m/m**. A favourite measure of inflation used by Federal Reserve.

Friday

US	**ISM Manufacturing PMI**. Softening again? USD / Equities sensitive.