

Week ahead. Week beginning 30-05-2022

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Memorial Day on Monday in the US means markets are shut all day. So a four-day shortened week in the US whilst in the UK, the traditional May bank holiday on Monday is moved to Thursday with an additional Friday holiday added in celebration of the **Queens Platinum Jubilee**, resulting in a three-day shortened week.

This week will be **key for markets** with the all in important release of US employment data in the **Non Farm employment** report this Friday. In the **Eurozone** we have the release of **inflation data** which will focus minds at the ECB and investors alike.

Review

FTSE +195 +2.65% DOW +1,951 +6.24% S&P +256 +6.58% NASDAQ +776 +6.84% DAX +480 +3.44% NIKKEI unchanged Hang Seng unchanged

US equities capped off last week on Friday with a **2.8% jump**, resulting in a 6.6% rally on the week – ending the longest run of weekly losses since 2001.

A bear market rally or something more meaningful?

The rally was across the board and had been brewing for a few days as traders started to question the **pace of forecast interest rate increases**.

Despite a **hawkish tone in the FOMC** minutes, released last Wednesday, from the last meeting, investors were encouraged by **better than expected earnings** from **large retailers** on Thursday. So by Friday the market mood was already quite positive and was further bolstered by the release of the PCE, the Fed's favourite measure of inflation.

The annual rate in April was less than March and is the first drop in 17 months which suggests inflationary pressures could be easing. This is only **one reading** and with a lot of data still indicating a **prolonged period of high inflation**, the argument has longer to run.

In the UK, the **FTSE100 and FTSE250 also recovered** but not at the same pace as US and to a lesser extent EU equities. However the both FTSE indices had fallen far less than their counterparts in the US and Europe and have much more catching up to do following Brexit.

EURUSD +1.74 +1.64% GBPUSD +1.34 +1.07% USDJPY -0.82 -0.64%

Traders have **moderated their view** on the **pace of interest rate increases** they expect from the FED. Compared to a week ago, expectations have **eased** with **year end rate** expectations **easing by 0.25%**. As a consequence this helped weaken the UD Dollar further – a trend that started over a week ago.

Whilst the rebound in major currencies versus the US Dollar is clear, the conviction will be tested with the release of **Non farm Employment data** this coming Friday. **UK markets** will have to endure a **prolonged 4-day break** before reacting to this data.

Gold +7 +0.38% UK OIL +6.45 +5.7% US OIL +4.57 +4.13%

Bitcoin -572 -1.85%

Gold continues to **reflect the weakening UD Dollar**, having gained \$50 over the past 10 days.

Energy markets are pricing in **further disruption to supplies** as the debate over **ending Russian oil and gas supplies** in Europe rages on. **G7 energy ministers** request to OPEC to increase production has yet to illicit a response from OPEC. However **Saudi Arabia** has **not been moved by requests** more recently as it points out there is **no lack of supply**. But prices often reflect expectation as traders and investors prepare for a prolonged period of high prices as the as the **effects of the Russian war in Ukraine persist**.

Data / Events this week

A shortened week in the US and the UK this week.

Monday

US **Memorial day** – US markets closed

Tuesday

Eurozone **CPI – flash estimates**. Another jump to 7.7% expected
The core reading of 3.5% is pointless as it excludes food and energy.

Wednesday

Eurozone **ECB president Lagarde** speaking about Green transition. Unlikely to excite markets.

Canada **Band of Canada rate decision**. Expect rate increase of 0.5% to 1.5%. Anything less would be a surprise. Rate Statement will be dissected for future policy moves.

US **ISM Manufacturing PMI**. Easing slightly but well above 50for now.

US **FOMC member Bullard speaking** at the Economic Club of Memphis – with Q&A.

Thursday

China **Bank Holiday.** Dragon Boat festival! A day off for that.

UK **Extended holiday** in celebration of the **Queen's Platinum jubilee**

US **ADP employment change** . Steady. A weaker number could be seized on but more likely investors will wait for Non farm employment data on Friday.

Friday

US **Non-Farm employment data.** Expected at 325K new jobs and slight fall in employment rate to 3.5%. Average hourly earnings a focus following PCE data last week.