# Global market commentary

Week 25 – Week ending 24th June 2022

| EQUITY | LEVEL VALUE | WTD % CHANGE | BONDS | LEVEL VALUE | WTD % CHANGE | REAL ESTATE & COMMODITIES | LEVEL VALUE | WTD % CHANGE |
|---|---|---|---|---|---|---|---|---|
| MSCI World Index | 2,619.48 ▲ | 5.38% | Bloomberg Global Agg USD | 458.23 ▲ | 1.01% | Global Property | 5,544.48 ▲ | 4.52% |
| S&P 500 | 3,911.74 ▲ | 6.45% | Bloomberg Global High Yield USD | 1298.01 ▲ | 0.28% | Gold | 1,826.88 ▼ | -0.68% |
| MSCI Eur xUK | 160.52 ▲ | 2.35% | Bloomberg Global Credit USD | 258.36 ▲ | 0.63% | Oil | 107.62 ▼ | -0.34% |
| FTSE 100 | 7,208.81 ▲ | 2.74% | | | | Commodities | 735.03 ▼ | -2.47% |

## Highlights

- The MSCI World ended its three-week run of losses with a strong 5.4% increase.
- Investors continued to assess the potential for a global economic slowdown amid a higher interest rate environment.
- Numerous US Federal Reserve (Fed) officials reiterated expectations for a possible 75 basis points (bps) rate hike at the upcoming July policy meeting.
- The Fed's latest Monetary Policy Report stated the central bank's commitment to controlling inflation was "unconditional".

## Market summary

**U.S.:** The S&P 500 increased 6.5% in a shortened trading week (Juneteenth). The energy sector – the best-performing sector in 2022 to date – was the sole sector to record a negative return as most sectors recovered some of their recent slide. In economic data, the University of Michigan sentiment measure was revised down from the initial record low estimate for June. Preliminary PMI data for June also disappointed.

**Continental Europe:** The MSCI Europe ex UK Index increased 2.4%. This week, European Union (EU) leaders granted Ukraine and Moldova official candidate status for EU membership and confirmed Croatia will join the eurozone in 2023. Gas shortage concerns remained pronounced, as Germany entered a new emergency phase amid reduced supply from Russia. Economic data showed eurozone PMI data weakened more than expected in preliminary June readings. German IFO survey measures also disappointed.

**UK:** The FTSE 100 increased 2.7%. Data confirmed inflation climbed to a new 40-year high (see chart). These higher prices continued to impact retail sales, which contracted in May (-0.5% MoM, -4.7% YoY). The GfK consumer confidence indicator for June also dropped to a new record low. However, the composite (53.1) and services (53.4) PMIs positively surprised in preliminary June figures.

**Japan:** Japan's share market rose over the week, with the TOPIX closing the period up 1.7%. The Bank of Japan (BoJ) maintained its accommodative monetary policy, however a segment of investors started shorting Japanese government debt, betting on the BoJ to start relaxing its yield curve controls. In economic data, the flash manufacturing PMI declined to 52.7 in June, although the composite (53.2) and services (54.2) measures improved. The national inflation rate held steady at 2.5% YoY.

**Asia Pacific**: Asian share markets climbed over the week, with the MSCI Asia Pacific ex Japan Index closing the period up 1.5%. Asian stocks broadly tracked global counterparts higher amid hopes of slightly less aggressive rate hikes and further Chinese government stimulus into Chinese markets. In the Philippines, the central bank raised its interest rate to 2.5%, as expected, to counter inflation. Meanwhile, inflation rose more-than-expected in Singapore (5.6% YoY) and Malaysia (2.8% YoY) in May. Australia's All Ordinaries was up 1.5%. Reserve Bank of Australia governor Philip Lowe explained that in order to curb inflation, further rate increases in either 25 or 50 bps increments were needed. Australia's manufacturing PMI ticked higher to 55.8, whilst the composite and services PMI measures decreased.

**Emerging Markets (EM):** The MSCI Emerging Index increased 0.7%. In China and at a virtual BRICS (Brazil, Russia, India, China and South Africa) Business Forum, President Xi Jinping pledged more stimulus to bolster markets. This comes as Chinese markets were recently weighed down by regional lockdowns to counter Covid-19 cases. The People's Bank of China also kept interest rates unchanged for now, to support markets whilst also being aware of potential inflationary pressures. In Mexico, June's mid-month inflation rate surged higher-than-expected to 7.9% YoY. This is substantially higher than the country's central bank's 3.0% inflation target rate. In response, the central bank raised its interest rate to 7.75% as expected. In contrast, Turkey's central bank held its benchmark rate at 14.0%, despite persistent inflationary pressures. Tourist arrivals also increased 308% YoY in May, adding to potential inflation woes, whilst the central government debt level ticked higher to 3.7 trillion Turkish lira. Elsewhere, Brazil's mid-month (June) inflation rate declined slower than expected to 12.04%, however consumer confidence improved to 79 points for June (highest since August 2021).

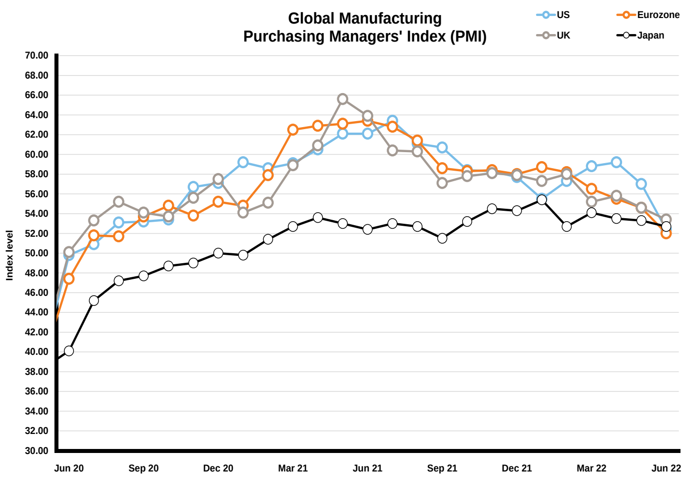
**Fixed Income:** The Bloomberg Global Aggregate index increased 1.0%. In the US, the Fed released its semi-annual report on monetary policy to Congress. In this report, a key word stood out, namely that the Fed's commitment to controlling inflation was "unconditional". Markets have priced in another 75 bps rate hike at the next policy meeting, but signs of slowing economic growth warmed up the likelihood of only a 50 bps hike. The benchmark 10-year Treasury yield decreased 10 bps to 3.13%. Across the pond, Catherine Mann, an external member of the Bank of England's (BoE) Monetary Policy Committee, advised that the UK will face even higher inflation if the BoE does not raise rates at a pace similar to the Fed. This comes as the UK's latest inflation print came in at a 40-year high. Meanwhile, several smaller UK banks increased three-year bank deposits to 3.0% (first time in nearly a decade) on the back of a higher BoE base rate, in order to lift interest payments to savers. In mainland Europe, the European Central Bank (ECB) reiterated its plans to raise rates, whilst markets debated whether the ECB could tighten policy without fragmenting economic growth in the eurozone. The UK 10-year gilt yield declined 20 bps to 2.30%, whilst the German 10-year bund yield decreased 22 bps to 1.44%. In corporate issuance news, investors only saw four major deals coming to the markets this week, amounting to roughly $10.0 billion. This week marked the ninth week YTD that volumes missed projections. Meanwhile, both the Bloomberg Global Credit index and the Bloomberg Global High Yield index increased 0.6% and 0.3% respectively. In emerging market debt news, Russia could be facing its first foreign debt default this century as a grace period for a $100.0 million interest payment ends on Sunday 26th of June.

**Commodities:** Commodities followed their worst week since early April with a further 2.5% decline. Oil (-0.3%) and copper (-6.5%) remained impact by economic growth concerns. Gold (-0.7%) also edged lower.

## Charts of the week

### Global Manufacturing PMIs Slow

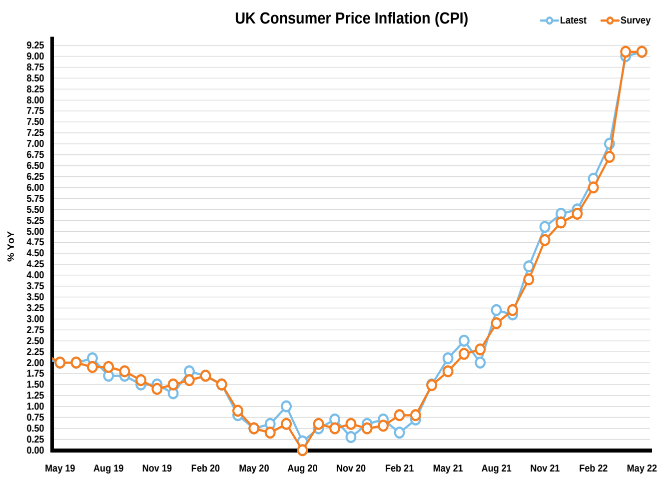
Global manufacturing purchasing managers' index measures broadly declined and missed estimates in preliminary June readings. The US measure notably slumped from 57.0 to 52.4 – the lowest since July 2020.




**Data source: Bloomberg as at 24/06/22**

### UK Inflation Highest in G7

UK inflation reached a 40-year-high of 9.1% YoY in May. This was in-line with expectations, with high energy costs continuing to drive the figure. However, core inflation declined slightly more than expected to 5.9% YoY from 6.2% YoY.




**Data source: Bloomberg as at 24/06/22**

## Market Data – Base Currencies

| EQUITY | Value<br>Fri, 24-Jun-22 | WTD<br>% CHANGE | MTD<br>% CHANGE | YTD<br>% CHANGE | 12M<br>% CHANGE |
|---|---|---|---|---|---|
| MSCI World Index | 2,619.48 | 5.38% | -6.15% | -18.94% | -13.07% |
| S&P 500 | 3,911.74 | 6.45% | -5.33% | -17.93% | -8.31% |
| Russell 1000 | 2,149.71 | 6.56% | -5.26% | -18.75% | -10.63% |
| FTSE 100 | 7,208.81 | 2.74% | -5.24% | -2.38% | 1.39% |
| MSCI Europe xUK | 160.52 | 2.35% | -6.91% | -17.84% | -12.32% |
| DAX | 13,118.13 | -0.06% | -8.83% | -17.42% | -15.85% |
| Topix | 1,866.72 | 1.68% | -2.40% | -6.30% | -4.13% |
| MSCI APAC xJP | 529.11 | 1.47% | -5.36% | -15.99% | -24.00% |
| Hang Seng Index | 21,719.06 | 3.06% | 1.42% | -7.17% | -24.80% |
| MSCI Emerging | 1,011.18 | 0.65% | -6.17% | -17.92% | -26.05% |
| Australia All Ordinaries | 6,762.38 | 1.49% | -9.29% | -13.07% | -10.30% |
| S&P/TSX Composite Index | 19,062.91 | 0.70% | -8.04% | -10.18% | -5.70% |

| BONDS (10YR, Yield in %) | 24-Jun-22 | 17-Jun-22 | 31-May-22 | 31-Dec-21 | 24-Jun-21 |
|---|---|---|---|---|---|
| US | 3.13 | 3.23 | 2.84 | 1.51 | 1.49 |
| UK | 2.30 | 2.50 | 2.10 | 0.97 | 0.74 |
| Germany | 1.44 | 1.66 | 1.12 | -0.18 | -0.19 |
| Japan | 0.23 | 0.23 | 0.24 | 0.07 | 0.06 |

| FIXED INCOME | 24-Jun-22 | WTD<br>% CHANGE | MTD<br>% CHANGE | YTD<br>% CHANGE | 12M<br>% CHANGE |
|---|---|---|---|---|---|
| Bloomberg Global Agg USD | 458.23 | 1.01% | -3.23% | -13.94% | -15.33% |
| Bloomberg Global Agg Hedged USD | 534.56 | 0.72% | -1.87% | -9.38% | -9.15% |
| Bloomberg Global High Yield USD | 1,298.01 | 0.28% | -5.56% | -15.10% | -15.99% |
| Bloomberg Global Agg Credit USD | 258.36 | 0.63% | -2.70% | -12.94% | -12.64% |
| Bloomberg Global Agg Corporate USD | 252.63 | 0.85% | -3.47% | -15.37% | -16.32% |
| Bloomberg US Agg TR USD | 2,097.59 | 0.61% | -2.21% | -10.94% | -10.68% |
| Bloomberg US Corp High Yield USD | 2,151.12 | 0.57% | -5.01% | -12.61% | -10.89% |
| Bloomberg European Agg EUR | 234.54 | 1.44% | -2.55% | -12.32% | -12.71% |
| Bloomberg European Agg Corp EUR | 233.00 | 1.13% | -3.20% | -11.62% | -12.04% |
| Bloomberg Pan European High Yield EUR | 382.71 | -0.40% | -4.92% | -12.60% | -12.03% |

| COMMODITIES | 24-Jun-22 | WTD<br>% CHANGE | MTD<br>% CHANGE | YTD<br>% CHANGE | 12M<br>% CHANGE |
|---|---|---|---|---|---|
| Global Property | 5,544.48 | 4.52% | -6.74% | -18.77% | -12.00% |
| Gold | 1,826.88 | -0.68% | -1.03% | -0.13% | 2.82% |
| West Texas Intermediate Oil | 107.62 | -0.34% | -3.83% | 49.12% | 63.78% |
| Commodities | 735.03 | -2.47% | -6.54% | 30.98% | 39.04% |

| ECONOMIC & MARKET INDICATORS | 24-Jun-22 | 17-Jun-22 | 31-May-22 | 31-Dec-21 | 24-Jun-21 |
|---|---|---|---|---|---|
| ICE Libor USD 3M | 2.23% | 2.10% | 1.61% | 0.21% | 0.15% |
| ICE Libor GBP 3M | 1.63% | 1.60% | 1.42% | 0.26% | 0.08% |
| ICE Libor EUR 3M | -0.58% | -0.58% | -0.58% | -0.58% | -0.54% |
| Fed Policy Rate | 1.75% | 1.75% | 1.00% | 0.25% | 0.25% |
| BOE Policy Rate | 1.25% | 1.25% | 1.00% | 0.25% | 0.10% |
| ECB Policy Rates | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Notes: Unless otherwise stated, data sourced from Bloomberg as of 24th June 2022. Equity Index returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD), percentage change in price levels as at 24th June 2022. Generic Government Bonds, 10Y yield in % shown. Fixed Income indices in USD, Total Return, and Hedged ICE Libor and policy rates in percent. Currently data shows spot exchange rates. Global Property shows FTSE EPRA/NA REIT Dev TR USD. Gold in $/Oz. Oil WTI $. Commodities show S&P GS Commodity Index, USD.**

## Equity Indices Fundamentals

| Index | VALUE 24.Jun.22 | EARNINGS PER SHARE (EPS) TRAILING 12M | EXPECTED CURRENT YEAR | LT GROWTH RATE | PRICE-TO-EARNINGS (P/E) CURRENT | 10Y AVERAGE | RETURN-ON-EQUITY (ROE) CURRENT | 10Y AVERAGE |
|---|---|---|---|---|---|---|---|---|
| MSCI World | 2,619.48 | 152.74 | 171.01 | 37.66% | 17.15 | 19.79 | 16.10% | 11.24% |
| S&P 500 | 3,911.74 | 199.74 | 228.08 | -47.45% | 19.58 | 19.38 | 20.37% | 13.91% |
| Russell 1000 | 2,149.71 | 107.83 | 124.83 | -64.59% | 19.94 | 20.22 | 19.14% | 13.16% |
| FTSE 100 | 7,208.81 | 434.77 | 723.75 | 2.76% | 16.58 | 37.24 | 12.03% | 10.06% |
| MSCI Europe xUK | 160.52 | 11.26 | 12.65 | 9.78% | 14.26 | 21.37 | 14.03% | 9.29% |
| DAX | 13,118.13 | 1,121.99 | 1,217.22 | 7.47% | 11.69 | 22.28 | 13.55% | 9.39% |
| Topix | 1,866.72 | 139.03 | 156.32 | 8.98% | 13.43 | 19.30 | 8.68% | 7.04% |
| MSCI APAC xJP | 529.11 | 43.26 | 41.52 | 11.46% | 12.23 | 15.03 | 11.12% | 11.76% |
| Hang Seng | 21,719.06 | 2,709.97 | 1,935.35 | 5.53% | 8.01 | 11.22 | 8.68% | 11.94% |
| MSCI Emerging Markets | 1,011.18 | 91.94 | 88.47 | 10.16% | 11.00 | 14.25 | 12.57% | 11.78% |

**Notes: Unless otherwise stated, data sourced from Bloomberg as of 24th June 2022. Returns in base currency, except for APAC xJP (USD) and Emg Mkt (USD). Trailing 12-month Earnings per share (EPS): Market convention index earnings calculated by summing up the equity member EPS contributions for the last 12 months multiplied by the #shares and then divided by the index divisor sum. Expected current year EPS: index general estimated earnings for the current fiscal year based on the best estimates for each member. EPS LT growth rate: The estimated index long term growth rate of EPS is a weighted average of the underlying members estimated long term growth forecasts during the next business cycle, normally 3-5 years, computed by summing all members' growth EPS forecasts multiplied by their respective index weight. and implementation. Price-to-Earnings (P/E): Index estimated P/E Current Year, calculated as Last Price divided by estimated earnings full one year. Return-on-Equity: Index estimated measure for constituents' profitability revealing how much profit a company generates with the money shareholders have invested, in percentage.**

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