

Global Market Update

05 August 2022

Global shares: US mixed ahead of jobs data; Europe, Asia mostly up

US markets

Equities ended mixed in choppy trading on Thursday amid a slew of fresh earnings and a rise in jobless claims while investors cautiously awaited the July payroll report on Friday. The Dow Jones industrial average edged down 0.3 percent, the S&P 500 eased 0.1 percent, and the NASDAQ inched up 0.4 percent.

Federal Reserve (Fed) Bank of Cleveland President Loretta Mester on Thursday reiterated the central bank's determination to fight inflation with tightening monetary policy, likely through the first half of next year, until a clear sign of inflation coming down to its target. She said that the economy is not currently in recession, but the risk of a slowdown is rising. On the magnitude of interest rate increase at the Fed's next policy meeting in September, Mester kept an open mind to a 50-or-75-basis-point hike.

Caution grew following the release of the weekly unemployment claims that showed a slight rise in new claims for unemployment benefits last week, which remained at high levels since November of 2021. Investors turned their attention to the employment report on Friday. Any signs of strength in the labor market could add to expectations that the Fed will remain in its aggressive rate-hiking path.

The energy sector led the decline as oil prices fell to the lowest since the beginning of the Ukraine war due to a deterioration of prospects for demand amid a slowing global economy, with energy giants Exxon Mobil down 4.2 percent and Chevron down 2.7 percent. Consumer discretionary and technology were among the top gainers, with Amazon.com up 2.2 percent and Advanced Micro Devices down 5.9 percent. Alibaba Group Holding rose 1.8 percent on better-than-expected results.

These price data reflect observations at market close: WTI spot crude oil fell US\$2.12 to US\$91.29, while spot gold rose US\$28.90 to US\$1,786.31. The US dollar fell vs. major currencies. The US Treasury 30-year bond yield lost 2 basis points to 2.96 percent and the 10-year note yield fell 7 basis point to 2.68 percent.

European markets

Major bourses closed flat to higher on Thursday amid a batch of upbeat corporate results, while the UK FTSE 100 was little changed, underperforming peers after the interest rate hike by the Bank of England (BoE). The Europe-wide STOXX firmed 0.2 percent, and the French CAC and the German DAX both rose 0.6 percent.

The BoE raised its key rate by 50 basis points to 1.75 percent on Thursday, the sixth consecutive rate increase as well as the largest rise since 1995, pushing borrowing costs to the highest since 2009. The central bank is aiming to bring down persistently high inflation even at the risk of a potential recession.

Among sectors, materials, industrials and utilities led the rally, while real estate and energy lagged. Financial stocks also improved, with Credit Agricole up 4.7 percent after its second-quarter results beat market expectations amid strong activity in capital markets and investment banking business. Credit Suisse Group gained 1.7 percent on news that the Swiss bank is discussing cutting thousands of jobs globally in an attempt to reshape its unprofitable investment banking and bring its costs under control.

On the data front, factory orders in Germany fell in June amid stubborn inflation and supply chain disruptions. Meanwhile, German construction activity shrank further in July as demand for building work was dampened by rising material prices and borrowing costs. Likewise, UK construction activity contracted in July for the first time since January of 2021, mainly due to lower volumes of backlog work and civil engineering activity.

Asia Pacific markets

Most Asian markets closed in positive trajectory on Thursday as sentiment improved following the broadly positive cues from global market overnight.

Chinese equities ended higher in a broad rebound as fears of geopolitical tensions receded after US House Speaker Nancy Pelosi left Taiwan, with China's CSI 300 index up 0.9 percent and the Shanghai index up 0.8 percent. Infrastructure stocks rose on news that China's State Grid planned to invest over 150 billion yuan in ultra high voltage power transmission lines while accelerating infrastructure investment amid support policies. Hong Kong's Hang Seng index jumped 2.1 percent, as technology stocks extended the rally, with Alibaba Group Holding up 5.1 percent and Tencent Holdings up 3.1 percent.

Japanese equities ended flat to higher amid mixed corporate results, with the Nikkei 225 up 0.7 percent and the TOPIX barely changed. Technology stocks extended gains, with chipmaking equipment supplier Tokyo Electron up 3.1 percent and technology investor SoftBank Group up 2.6 percent. Shipping firms gained on robust quarterly results thanks to higher freight rates amid logistics disruptions during the COVID-19, with Kawasaki Kisen Kaisha up 5.5 percent, Nippon Yusen Kabushiki Kaisha up 1.8 percent, and Mitsui O.S.K. Lines up 1.1 percent.

Taiwan's TAIEX slid 0.5 percent, while the South Korean KOSPI added 0.5 percent. Indian equities reversed early gains to end lower, with the BSE Sensex off 0.1 percent, as investors cautiously awaited the interest rate decision by the Reserve Bank of India on Friday. Losses in banks offset gains in technology stocks, with State Bank of India off 1.4 percent while information technology service provider Infosys up 2.2 percent.

Australian equities pared early gains to end slightly higher, with the All Ordinaries up 0.1 percent. Mining stocks declined on weaker iron prices, with major miners BHP Group, Rio Tinto and Fortescue Metals Group off between 1.1 and 2.0 percent. Energy stocks also fell, while technology stocks tracked their US peers higher. Financial stocks rebounded, with "big four" banks up between 0.3 and 1.3 percent.

Looking forward

Central Bank activities

India	Reserve Bank of India Interest Rate Decision
US	Federal Reserve Bank of Richmond President Tom Barkin Speech

Europe

Germany	Industrial Production MoM (Jun)
UK	Halifax House Price Index MoM / YoY (Jul)
France	Balance of Trade (Jun)
	Industrial Production MoM (Jun)
Italy	Industrial Production MoM (Jun)

Americas

Canada	Unemployment Rate (Jul)
	Part Time Employment Change (Jul)
	Employment Change (Jul)
	Full Time Employment Change (Jul)
	Participation Rate (Jul)
	Ivey PMI (Jul)
US	Unemployment Rate (Jul)
	Non Farm Payrolls (Jul)
	Participation Rate (Jul)
	Average Hourly Earnings MoM / YoY (Jul)

Source — Trading Economics

Global stock markets

	Index	End	2022		Daily	Percentage Change		
		2021	Aug 3	Aug 4	Change	Daily	2022	Yr/Yr
North America	MSCI North America	4,949.4	4,278.9	4,277.7	-1.2	0.0	-13.6	-7.5
United States	Dow	36,338.3	32,812.5	32,726.8	-85.7	-0.3	-9.9	-5.9
	NASDAQ	15,645.0	12,668.2	12,720.6	52.4	0.4	-18.7	-13.9
	S&P 500	4,766.2	4,155.2	4,151.9	-3.2	-0.1	-12.9	-5.7
Canada	S&P/TSX Comp	21,222.8	19,545.9	19,577.0	31.1	0.2	-7.8	-3.7
Europe	MSCI Europe	1,934.8	1,740.3	1,746.5	6.2	0.4	-9.7	-6.6
UK	FTSE 100	7,384.5	7,445.7	7,448.1	2.4	0.0	0.9	4.6
	FTSE All Share	4,208.0	4,112.8	4,118.3	5.5	0.1	-2.1	0.8
France	CAC	7,153.0	6,472.1	6,513.4	41.3	0.6	-8.9	-3.5
Germany	XETRA DAX	15,884.9	13,587.6	13,662.7	75.1	0.6	-14.0	-12.9
Netherlands	AEX All Share	1,111.0	997.6	994.5	-3.1	-0.3	-10.5	-8.0
Italy	MIB	27,346.8	22,574.9	22,645.8	70.9	0.3	-17.2	-11.2
Spain	Ibex 35	8,713.8	8,142.1	8,161.1	19.0	0.2	-6.3	-7.2
Sweden	OMX Stockholm 30	2,419.7	2,005.6	2,020.8	15.3	0.8	-16.5	-15.6
Switzerland	SMI	12,875.7	11,179.0	11,202.7	23.7	0.2	-13.0	-8.0

Asia Pacific ex Japan	MSCI Asia Pacific ex Japan	694.6	600.3	604.9	4.6	0.8	-12.9	-17.3
Australia	All Ordinaries	7,779.2	7,202.9	7,207.5	4.6	0.1	-7.3	-7.3
	S&P/ASX 200	7,444.6	6,975.9	6,974.9	-1.0	0.0	-6.3	-7.0
Hong Kong	Hang Seng	23,397.7	19,767.1	20,174.0	407.0	2.1	-13.8	-23.7
South Korea	Kospi	2,977.7	2,461.5	2,473.1	11.7	0.5	-16.9	-24.6
Singapore	STI	3,123.7	3,252.1	3,269.9	17.8	0.5	4.7	2.7
China	Shanghai Comp	3,639.8	3,163.7	3,189.0	25.4	0.8	-12.4	-8.3
	Shanghai Shenzhen 300	4,940.4	4,067.0	4,101.5	34.6	0.9	-17.0	-17.6
Taiwan	TAIEX	18,218.8	14,777.0	14,702.2	-74.8	-0.5	-19.3	-16.6
India	Sensex 30	58,253.8	58,350.5	58,298.8	-51.7	-0.1	0.1	7.2
Japan	Nikkei 225	28,791.7	27,741.9	27,932.2	190.3	0.7	-3.0	1.3
	Topix	1,992.3	1,930.8	1,930.7	0.0	0.0	-3.1	0.5

Source — Refinitiv DataStream, as at 4th August 2022, price returns in local currency

Bond markets

10-Yr Govt Bonds	Closing Yield	Daily Change Yield (bps)
US	2.68%	-7
UK	1.89%	-3
Germany	0.81%	-6
Japan	0.18%	-1
Australia	3.17%	5
China	2.72%	-1

Source — Refinitiv DataStream, as at 4th August 2022

IG Bonds	Closing Yield*	Daily Change Yield (bps)
ICE BofA US Corporate Index	4.50%	0
ICE BofA Euro Corporate Index	2.40%	8
ICE BofA Asian Dollar Investment Grade Index	4.82%	10

HY Bonds	Closing Yield*	Daily Change Yield (bps)
ICE BofA US High Yield Constrained Index	7.71%	-4
ICE BofA Global High Yield European Issuers Constrained Index	7.24%	-3
ICE BofA Asian Dollar High Yield Corporate Constrained Index	16.92%	5
ICE BofA Asian Dollar High Yield Corporate China Issuer Index	27.59%	4

Source — Refinitiv DataStream *Data as at 3rd August 2022

Currencies and commodities

Currency	4-Aug	Daily Change (%)	Weekly Change (%)
Japanese yen	133.14	0.9%	1.0%
Australian dollar	1.4367	0.7%	-0.1%
Yuan	6.7561	0.0%	-0.2%
Euro	0.9793	0.8%	0.5%
British pound	0.8257	0.0%	-0.2%
Swiss franc	0.9573	0.7%	-0.1%
Canadian dollar	1.2856	0.2%	0.0%

Source — Refinitiv DataStream, as at 4th August 2022. Exchange rates denote value for 1 USD.

Commodities	4-Aug	Daily Change (%)	Weekly Change (%)
Crude Spot - WTI	\$91.29	-2.3%	-7.9%
Gold	\$1,786.31	1.6%	1.9%
CRB Commodity Index	300.62	-0.2%	-2.7%

Source — Refinitiv DataStream, as at 4th August 2022. Reference to (\$) are in US dollars.

Annual returns over the past five years

	Index	% Change				
		12 months to 4-Aug-22	12 months to 4-Aug-21	12 months to 4-Aug-20	12 months to 4-Aug-19	12 months to 4-Aug-18
North America	MSCI North America	-7.5	34.0	13.3	3.0	14.4
United States	Dow	-5.9	29.7	1.3	4.0	15.3
	NASDAQ	-13.9	35.1	36.7	2.5	23.0
	S&P 500	-5.7	33.2	12.8	3.2	14.7
Canada	S&P/TSX Comp	-3.7	24.2	0.6	-0.9	7.6
Europe	MSCI Europe	-6.6	26.7	-6.1	-2.7	1.7
UK	FTSE 100	4.6	18.0	-18.5	-3.3	2.0
	FTSE All Share	0.8	21.7	-16.9	-4.0	2.2
France	CAC	-3.5	38.0	-8.8	-2.2	5.3
Germany	XETRA DAX	-12.9	24.5	6.1	-5.9	2.6
Netherlands	AEX All Share	-8.0	34.9	-2.6	-2.1	4.5
Italy	MIB	-11.2	30.0	-6.8	-2.5	-1.6
Spain	Ibex 35	-7.2	25.2	-21.1	-8.6	-8.6
Sweden	OMX Stockholm 30	-15.6	38.0	10.6	-2.7	2.4
Switzerland	SMI	-8.0	19.8	3.7	7.1	-0.2
Asia Pacific ex Japan	MSCI Asia Pacific ex Japan	-17.3	16.9	9.9	-3.2	3.1
Australia	All Ordinaries	-7.3	26.1	-9.9	8.2	9.6
	S&P/ASX 200	-7.0	24.3	-10.8	8.6	9.0
Hong Kong	Hang Seng	-23.7	5.9	-7.3	-2.7	0.4
S. Korea	Kospi	-24.6	43.9	14.1	-12.7	-4.5
Singapore	STI	2.7	26.5	-22.9	-0.1	-1.8
China	Shanghai Comp	-8.3	3.1	17.6	4.6	-16.0
	Shanghai Shenzhen 300	-17.6	4.3	27.4	13.0	-10.6
Taiwan	TAIEX	-16.6	38.7	20.5	-4.2	4.8
India	Sensex 30	7.2	44.3	1.5	-1.2	16.2
Japan	Nikkei 225	1.3	22.2	7.0	-6.4	12.9
	Topix	0.5	23.5	1.4	-12.0	6.8

Source — Refinitiv DataStream, as at 4th August 2022, price returns in local currency

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