TARICUM PRIVATE BANK

November 2022

Global Market Focus Monthly

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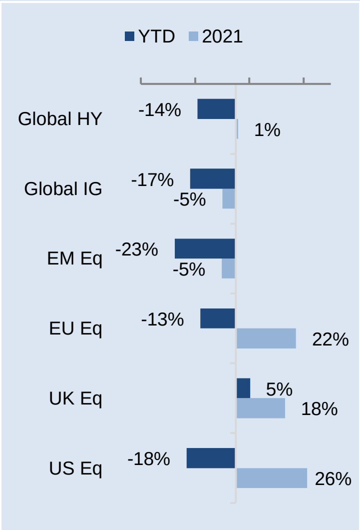
Headliners

- US Inflation eases across the board prompting the Fed to soften rate hikes.
- UK inflation accelerates to another 41yr-high of 11.1%.
- UK Chancellor unveiled an austerity budget of £55bn in tax hikes and spending cuts whilst stating country in recession.
- FTX collapse causes widespread concern of Crypto Contagion.

Asset Class Return



MarketWatch

	Level	YTD	30 days	7 Days	Div. Yield	Volatility	P/E
S&P 500	3,919	-17.77%	6.56%	-0.94%	1.70%	28.26	18.95
Nasdaq 100	11,595	-28.96%	4.81%	-0.10%	0.96%	37.16	24.23
Dow Jones	33,287	-8.40%	10.27%	-1.27%	2.04%	21.54	19.16
FTSE 100	7,350	-0.47%	6.21%	-0.34%	3.84%	11.10	13.72
Eurostoxx 50	3,872	-9.92%	12.51%	0.67%	3.20%	15.61	13.42
DAX	14,252	-10.28%	12.67%	0.75%	3.27%	15.85	13.21
CAC 40	6,561	-8.27%	8.62%	0.07%	2.97%	15.05	13.59
SMI	10,915	-15.23%	3.97%	-1.85%	3.07%	13.90	16.96
Nikkei 225	27,931	-2.99%	2.85%	1.77%	2.12%	20.59	18.80
Hang Seng	18,046	-22.87%	6.69%	12.22%	3.74%	47.91	6.84
CSI 300	3,819	-22.70%	-0.51%	3.61%	2.34%	25.96	13.93
WTI Crude Oil	83.41	10.90%	-2.40%	-3.54%			
Gold	1,760	-3.79%	6.66%				
Bitcoin	16,516	-64.35%	-15.43%				
GBP / EUR	1.14	4.30%	1.22%				
GBP / USD	1.18	-13.00%	3.65%				
GBP / CHF	1.12	9.69%	0.65%				

	Base Rate	1m LIBOR	12m LIBOR
GBP	3.00%	2.81%	3.13%
EUR	1.50%	1.40%	2.84%
USD	4.00%	3.67%	4.66%
CHF	0.50%	0.46%	0.09%

*As at 17/11/22

*Quote: "I'm sorry I f****d up and should have done better", FTX Founder Sam Bankman-Fried's public apology after collapse of FTX Crypto Exchange 10/11/22*

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United States

US Inflation: US headline CPI figure came in below expectations at 7.7% for October. Consensus estimates pointed to a 7.9% increase. Core inflation also came in lower at 6.3% down from 6.6% in September. Prices for used cars fell by 2.4% whilst prices for clothing and medical costs also fell. Producer Price Inflation (PPI) followed lower at 8% vs expected 8.3% in the same period.

US Data: US retail sales rose 1.3% in October beating expectations as consumers continued to spend despite inflation. However, consumer sentiment fell unexpectedly to its lowest level since July. The drop was attributed in part to poor buying conditions for durables given high prices and interest rates.

US Earnings: Mixed earnings report from retailers with Walmart beating estimates and raising their guidance thanks largely to their grocery segment. In contrast, Targets earnings came in lower than expectations and warned of a weak holiday quarter.

FED: Despite softer inflation data, Fed President Bullard suggested more rate hikes are needed as present hikes have only had limited effects. Goldman see rates peaking at 5%, 25bps increase to previous forecast.

Europe

Ukraine Invasion: Missile that hit Poland was likely caused by Ukraine states NATO, Poland and US. Zelensky on the other hand is 'certain' it was caused by Russia.

Eurozone Forecast: European Commission forecast that the eurozone economy would contract in the 0.5% in Q4 as a result of higher energy prices from Ukraine war. Growth in 2023 is predicted to slow to 0.3%.

ECB: Vice President suggests that the Central Bank will do all possible to reach the 2% target providing a hawkish stance and implying another 75bp hike on the table.

United Kingdom

UK Inflation: Rising food and energy prices pushed UK inflation back to 40-yr high of 11.1% in October.

UK GDP: UK's Q3 GDP fell by 0.2% sequentially, the first quarterly decline since the start of 2021, when the economy was in lockdown. The figure came in better than the 0.5% decline expected. The Bank of England forecasted in September that Q3 would be the start of a recession that could last two years.

UK Autumn Budget: UK Chancellor Jeremy Hunt delivered his budget after stating the UK was in a recession. Hunt lowered threshold for highest rate of income tax from £150k to approx. £125k. Hunt also froze tax allowances for 2 more years. Windfall tax on oil and gas firms will increase from 25 – 35% from January 2024 to January 2028. A temporary windfall tax of 45% was introduced on electricity firms.

BOE: Governor Andrew Bailey suggested that interest rates were likely to rise further in the coming months, although he was hopeful that inflation would peak this winter. He said it could take between 18 months and two years to tame inflation.

Emerging Markets

China: Retail sales turn negative in October. First decline since May mainly due to Zero-Covid measures, Real estate collapse and decline in export demand causing a downturn in the Chinese economy.

Japan: Despite lifting of covid restrictions the economy suffers from a weak Japanese Yen and increasing import cost subsequently Japan sees contraction in its economy as GDP declined an annualized 1.2% in Q3.

Crypto: FTX collapse highlights lack of regulation as the exchange was found to be overleveraged. Ex CEO admits the exchange was leveraged by $13bn. According to reports, close to $2bn worth of customers funds vanished. In the filing, FTX revealed they owe more than 1 million people and organisations. This follows both crypto lenders Celsius and Voyager Digital bankruptcies earlier this year. This has led to some contagion concerns as Binance continues to see increased withdrawals following recent fall in Cryptocurrencies although Bitcoin holds steady at 16K.

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United States

Equities: Potential pivot by the FED makes us more attracted to US equities, should we see consistently softer inflation we US equities will move higher. Interesting entry points on quality stocks that generate good cashflow. Earnings momentum twinned with a strong growth backdrop still provide rationale for US equities.

Fixed Income: The recent yield surge has provided a good entry point to lock in interesting yields for short duration bonds. Expectations for aggressive policy may be overdone in the short term.

Europe

Equities: European markets face significant pressure from ongoing conflict in Ukraine. Strong reliance to Russia and Ukraine on the agricultural and commodity front likely to keep prices elevated and dampen economic growth prospects. Europe could face a stagflationary shock.

Fixed Income: Conditions in Europe remain favourable in the fixed income space. Market expectations for monetary policy action is overdone. We take preference to Italian & Spanish debt as yields have rallied too far.

United Kingdom

Equities: UK offer attractive valuations although upside rather limited at these levels. It's large exposure to inflationary resistant sectors such as commodities, financials and insurance adds significant value in current market conditions. Rising rates and recessionary effects are headwinds.

Fixed Income: Back-to-back rate hikes have provided upward pressure on yields. We expect some cooling off from the BOE as growth slows. Fixed income looks more attractive now.

Emerging Markets

Equities: Structural and geopolitical issues persist in areas such as China and India. However, we expect a strong recovery in Chinese markets towards the end of the year as loose policy filters through.

Fixed Income: Policy support makes Chinese bonds more appealing, although geopolitical issues pose downside risks. We expect India to take strong monetary policy action. Hawkish central bank has continued to put pressure on Brazilian debt.

Other Markets

Overweight+
Overweight
Neutral+
Underweight
Underweight-

Gold: Dollar weakness has provided some upside; dovish tilt could sustain move.

Oil: Recessionary fears weighing on future demand.

GBP/EUR: Poor economic data pressuring Sterling, although GBP looks cheap vs EUR.

EUR/USD: EUR has rallied well on the back of cooling US inflation. We see EUR hitting 1.05.