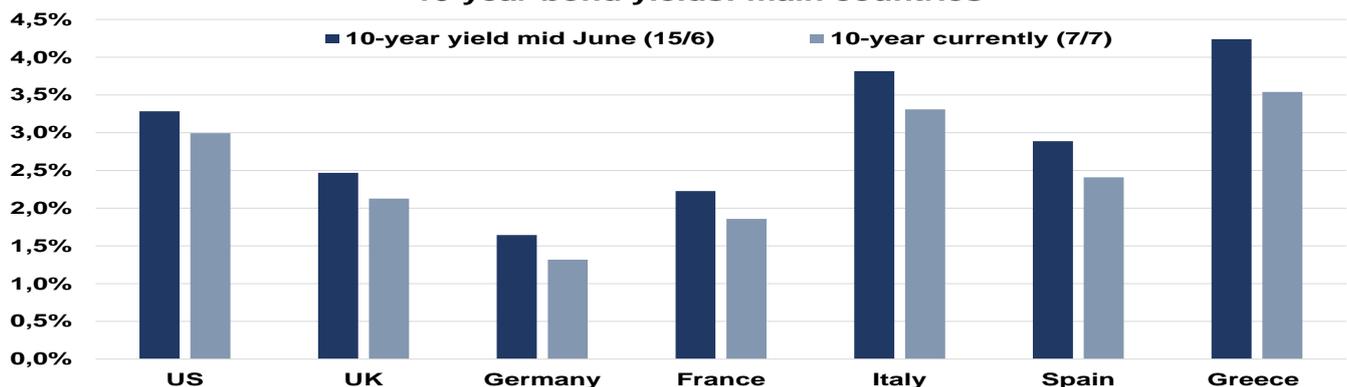


The Dollar DXY index (USD weighted vs six currencies) has risen at 20-year high. The “strong Dollar” has been an obstacle for risk-taking year to date, however it may contribute to halting (or even lowering) the high inflation in the **US**. In contrast, the weak Euro feeds high inflation pressures in the **Eurozone**. **German-US** 2-year bond yield differential posted three-year low (-2.61%), which along with the geopolitical instability due to the **Russian-Ukraine** conflict, have favored the USD. The Euro has dropped versus the USD at low (8/7: \$1.0072) since late 2002.

Bond yields of main countries have recently moderated, supporting equity market sentiment stabilize somewhat. The US 10-year bond yield posted low (6/7: 2.744%) since May. The inverted yield curve (8/7: 2-year yield at 3.00%, 10-year at 2.98%) may signal recession. “Technical” recession could become evident, when second quarter real GDP will be released (end of July). Real GDP may have dropped on quarterly basis for second consecutive quarter. Real GDP was negative on quarterly basis in the first quarter, although positive on yearly basis. From markets perspective, since mid-June, bonds have started exhibiting their “traditional” role as diversifier in balanced portfolios, which could have a stabilizing effect on returns in the mid-term. The Bloomberg Barclays Global aggregate (investment grade) bond index has return of +0.8% in the period from June 13 (when equity sentiment weakened) to July 7. The 10-year yields of main countries are currently milder versus in mid-June.

10-year bond yields: main countries


Source: Bloomberg

The WTI crude oil posted low (6/7: \$95.1/barrel, 200-day average: \$93/barrel, 21-day average: 110.5/barrel) since April, as the demand will most probably be impacted by lower activity and as the strength of the USD has generally affected (to varying extent) the trend of USD denominated assets. The recent decline of oil, (vs the \$123.70/barrel: June 14), may ease **US** inflation somewhat. The European natural gas price has more than doubled in a month at a high since March, impacting the German economy. The Fed's minutes referred that the 0.75% hike in June was due to higher inflation. Further 0.75% or 0.50% hike is expected in July. The focus (8/7) is on employment releases for June. **China** Caixin services PMI recovered at a high (54.5) since July 2021. **US-China** have discussed the potential for withdrawing some of the trade tariffs, in order to support growth.

The week ahead

US inflation (13/7) may have been higher in June (median estimate: 8.8%, May: 8.6%), while core inflation lower (5.8%, May: 6%). Morgan Stanley and JPMorgan will report second quarter economic results on July 14, Citigroup on July 15. The yearly increase of EPS in the second quarter for the S&P 500 index is expected milder (5%) vs in the first quarter (11%), with downside risks. The EPS 12-month forward estimate for the S&P 500 peaked in mid-June. For the S&P **Global** 1200 index, the peak of EPS 12-month forward estimate happened at the end of May and an initial mild downgrade is evident (as of 7/7: -1% vs the peak), which may be followed by further downwards revisions, of scale that will mainly depend upon the macroeconomic and geopolitical conditions. In **China**, the year over year increase of GDP (15/7) is expected at 1% in the second quarter, versus 4.8% in the first quarter. China is taking measures to support growth and pandemic restrictions have eased. A \$220 bln. fiscal support plan is reportedly under discussion in China, including infrastructure spending. Geopolitical risks remain substantial.

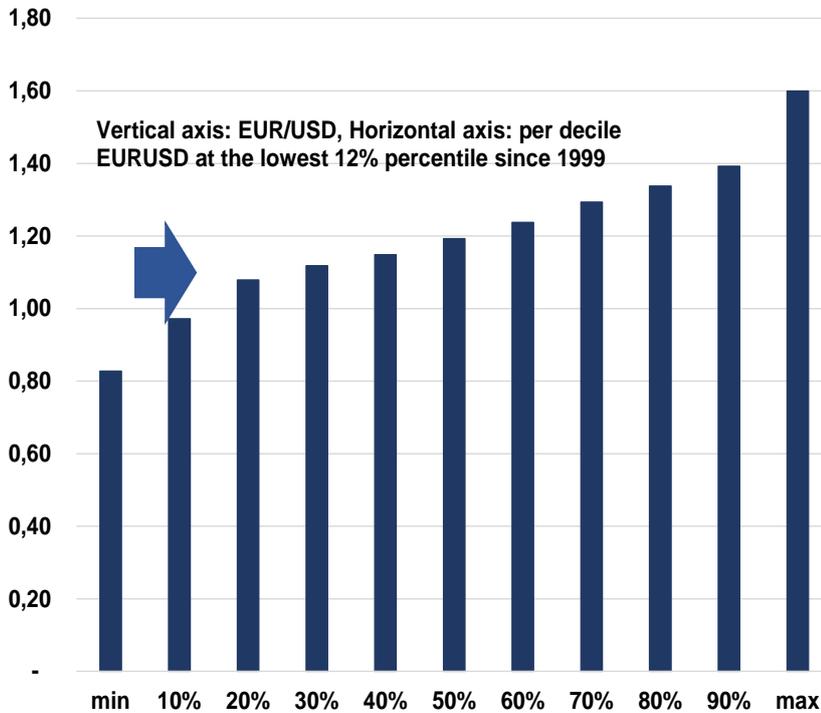
Quote of the Week:

The ECB member (M. Muller) said: “The ECB should start tightening with 0.25% hike”.

Global Markets in Charts

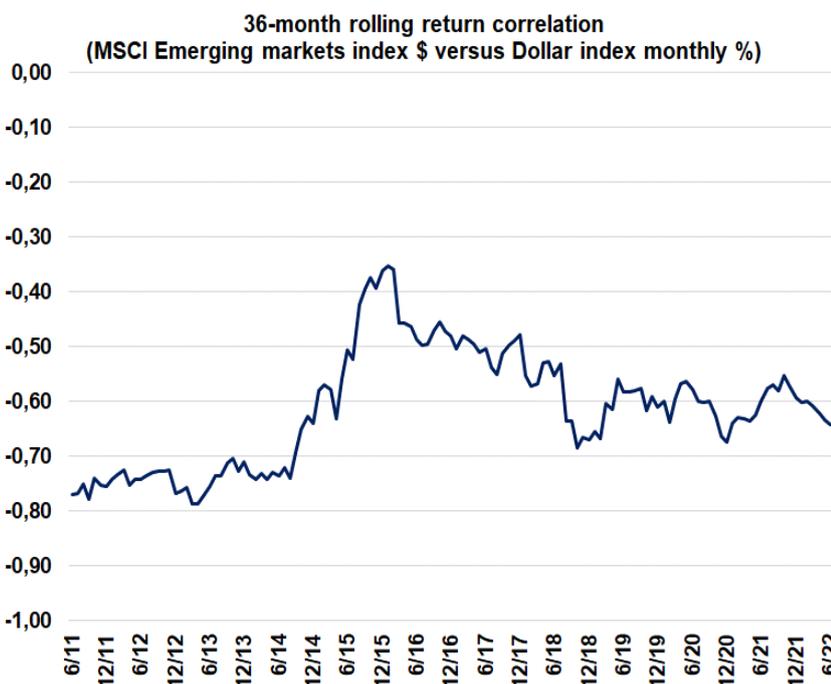
EUR/USD is at 20-year low. US employment today (8/7) may affect the short-term trend

EURUSD: daily (1999-2022): per decile



The current level of the EUR/USD (\$1.0100) stands at the lowest 12% percentile in the history of the Eurozone. It almost reached the support area of around \$1.00 (76.4% Fibonacci retracement of the move from \$0.8230 in October 2000 to \$1.6038 in July 2008). Resistance is at \$1.0450-\$1.050 (21-day average, 30/6 high). Non-farm payrolls for June, which will be released today (8/7), will be key, on whether the pair will move lower than parity or towards \$1.05. The Euro denominated Stoxx 600 Europe index posted drawdown of -19% from the historic high close of January 5 until the lowest close year to date on July 5. The USD denominated S&P Global 1200 equity index posted drawdown of -22.4% (4/1-17/6), however the one-year total drop (7/7/21-7/7/22) is milder at -12.5% in USD, while the global equity index is slightly positive on yearly basis in euro terms (+1.6%). In the last one month, the total return of global defensive sectors has been resilient (healthcare in USD: -0.9%, in euro: +4.5%, consumer staples in USD: -1.6%, in euro: +3.7%).

The emerging markets equity index is near the lowest year to date



Source: Bloomberg

The emerging equity index has dropped at the lowest close year to date (6/7: 981). The emerging equity is negatively correlated with the Dollar index. The 36-month rolling return correlation of the emerging equity index versus the Dollar DXY index is at around -0.65, indicating that the strength of the Dollar has been a disadvantage for the emerging equity index. Most recently, the Dollar index posted 20-year high. Support for the emerging equity index is at 915 (Fibonacci retracement 76.4% of the move from 752 on March 19, 2020 to 1,449 on February 18, 2021). Resistance is at 1,010 (21-day average)-1,050 (13/6 high). Among main emerging countries, the MSCI Chinese equity index has recovered by +24.9% (15/3-7/7) versus the low year to date (15/3), supported by fiscal and monetary easing, while worries about geopolitical tensions with the US remain.

Global Markets Minesweeper
Event Risk Calendar, 11 - 15 July 2022

Global Markets Minesweeper						
Event Risk Calendar, 11 - 15 July 2022						
Monday 11/7						
Date Time	Country	Event	Period	Survey	Prior	
11/7 02:50	JN	Core Machine Orders (YoY)	May	5.60%	19.00%	
11/7 09:00	JN	Machine Tool Orders (YoY)	Jun P		23.70%	
Tuesday 12/7						
Date Time	Country	Event	Period	Survey	Prior	
12/7 02:50	JN	PPI (YoY)	Jun	8.90%	9.10%	
12/7 12:00	GE	ZEW Survey Expectations	Jul	-39.3	-28	
12/7 12:00	GE	ZEW Survey Current Situation	Jul	-36.5	-27.6	
12/7 13:00	US	NFIB Small Business Optimism	Jun	93	93.1	
Corp. Results	US	PepsiCo				
Wednesday 13/7						
Date Time	Country	Event	Period	Survey	Prior	
13/7	CH	1Y Med. term Lending Facility Rate		2.85%	2.85%	
13/7 09:00	UK	Monthly GDP (MoM)	May	0.10%	-0.30%	
13/7 09:00	GE	CPI (MoM)	Jun F	0.10%	0.10%	
13/7 09:00	GE	CPI (YoY)	Jun F	7.60%	7.60%	
13/7 12:00	EC	Industrial Production SA (MoM)	May	0.00%	0.40%	
13/7 12:00	EC	Industrial Production WDA (YoY)	May	0.00%	-2.00%	
13/7 15:30	US	CPI (MoM)	Jun	1.10%	1.00%	
13/7 15:30	US	CPI Ex Food and Energy (MoM)	Jun	0.60%	0.60%	
13/7 15:30	US	CPI (YoY)	Jun	8.80%	8.60%	
13/7 15:30	US	CPI Ex Food and Energy (YoY)	Jun	5.80%	6.00%	
13/7 21:00	US	Monthly Budget Statement	Jun		-\$66.2b	
Eco Event	US	U.S. Federal Reserve releases Beige Book (21:00)				
Thursday 14/7						
Date Time	Country	Event	Period	Survey	Prior	
14/7 07:30	JN	Industrial Production (YoY)	May F	-2.80%	-2.80%	
14/7 15:30	US	PPI Final Demand (MoM)	Jun	0.80%	0.80%	
14/7 15:30	US	PPI Ex Food and Energy (MoM)	Jun	0.50%	0.50%	
14/7 15:30	US	PPI Final Demand (YoY)	Jun	10.40%	10.80%	
14/7 15:30	US	PPI Ex Food and Energy (YoY)	Jun		8.30%	
14/7 15:30	US	Initial Jobless Claims	9-Jul		235k	
Corp. Results	US	JPMorgan Chase & Co, Morgan Stanley				

July 8, 2022

Friday 15/7						
Date Time	Country	Event	Period	Survey	Prior	
15/7 05:00	CH	GDP (YoY)	2Q	1.00%	4.80%	
15/7 05:00	CH	GDP SA (QoQ)	2Q	-2.30%	1.30%	
15/7 05:00	CH	Industrial Production YTD (YoY)	Jun	3.50%	3.30%	
15/7 05:00	CH	Retail Sales (YoY)	Jun	0.40%	-6.70%	
15/7 05:00	CH	Retail Sales YTD (YoY)	Jun	-1.20%	-1.50%	
15/7 12:00	EC	Trade Balance (EUR) SA	May		-31.7b	
15/7 15:30	US	Empire Manufacturing	Jul	-2.6	-1.2	
15/7 15:30	US	Retail Sales Advance (MoM)	Jun	0.90%	-0.30%	
15/7 15:30	US	Retail Sales Ex Auto (MoM)	Jun	0.70%	0.50%	
15/7 15:30	US	Import Price Index (YoY)	Jun		11.70%	
15/7 16:15	US	Industrial Production (MoM)	Jun	0.00%	0.10%	
15/7 17:00	US	Business Inventories	May	1.10%	1.20%	
15/7 17:00	US	U. of Mich. Sentiment	Jul P	49	50	
15/7 17:00	US	U. of Mich. 1 Yr Inflation	Jul P		5.30%	
15/7 17:00	US	U. of Mich. 5-10 Yr Inflation	Jul P		3.10%	
Corp. Results	US	BlackRock, Citigroup, Wells Fargo & Co				

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