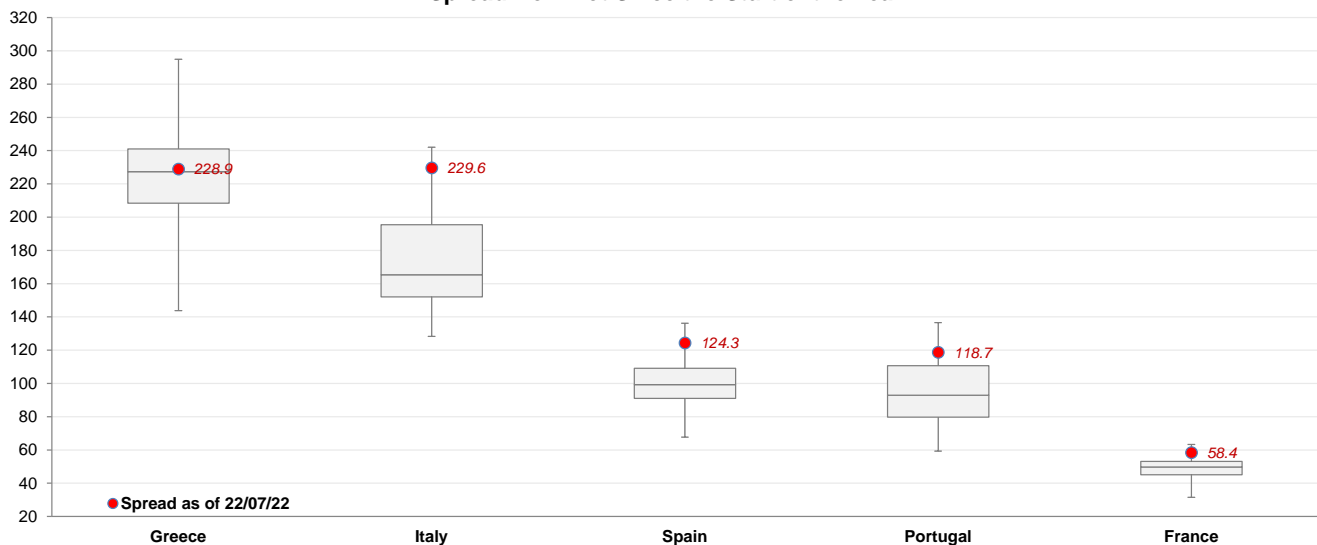


Risk sentiment in equity markets improved this week, as corporate earnings announcements have been better than anticipated. The S&P 500 reached this week a high (21/7: 3,999.29) since early June, posting positive return (as of 21/7: 3.5%) on weekly basis. Markets focus will remain on corporate earnings, as the guidance may be revised downwards due to negative impact from strong dollar and weak consumer confidence. In the week ahead the largest companies of the S&P 500 will announce second quarter corporate earnings. General Motors, Coca-Cola, Visa, Alphabet and Microsoft will report economic results on July 26. Bristol-Myers Squibb, ServiceNow, Meta Platforms and QUALCOMM on July 27. Pfizer, Thermo Fisher Scientific, Mastercard, Apple and Amazon.com on July 28. Exxon Mobil, Chevron and Colgate-Palmolive on July 29.

Political instability in Italy intensified. The President of Italy (S. Mattarella) accepted the resignation of M. Draghi and dissolved the parliament and announced that early elections will be held on September 25. The President of Italy asked Mario Draghi to remain in office with a caretaker government until elections. The announcement of new anti-fragmentation tool by the ECB (Transmission Protection Instrument) did not provide support to Italian bonds, as the political turmoil prevailed. Italy-Germany 10-Year government bond yield spread widened on July 22 to a high (234 bps) since early June.

Spread Box Plot Since the Start of the Year


Russian gas pipeline through Nord Stream 1 resumed on July 21, after 10 days of maintenance. The resumption of Russian gas flow provides some relief, as the European countries will have time to store gas ahead of the winter. The price of natural gas in Europe (TTF) increased this week (3%), as the uncertainty regarding the gas supply remains. US Natural gas is heading for a third weekly significant gain (11.5%), as the demand has increased due to above normal temperatures. The WTI crude oil fell for a third consecutive week mainly due to weaker than expected US gasoline demand and the resumption of oil supply from Libya.

The week ahead

The **Fed** is expected to hike interest rates by 75 bps for second time in a row at its meeting in the next week (26-27/7). According to future market, the Fed funds rate will peak at 3.55% in the first quarter of 2023. According to Bloomberg median estimate, the second quarter GDP annualized growth rate will be positive (0.5%). However, recent leading indicators signal that the US economy may have contracted in the second quarter, indicating technical recession (Q1 annualized GDP growth: -1.6%). German business climate IFO index (25/7) may have dropped in July, indicating deterioration of business confidence. Eurozone second quarter GDP and Eurostat's inflation estimate for July will be announced on July 29.

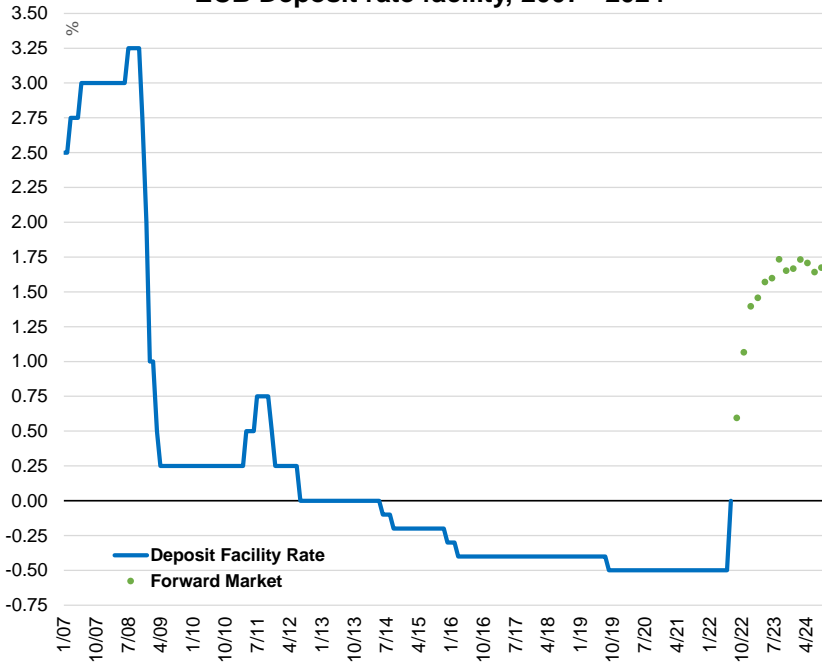
Quote of the Week:

ECB President C. Lagarde (21/7) "Higher inflationary pressures are also stemming from the depreciation of the euro exchange rate".

Global Markets in Charts

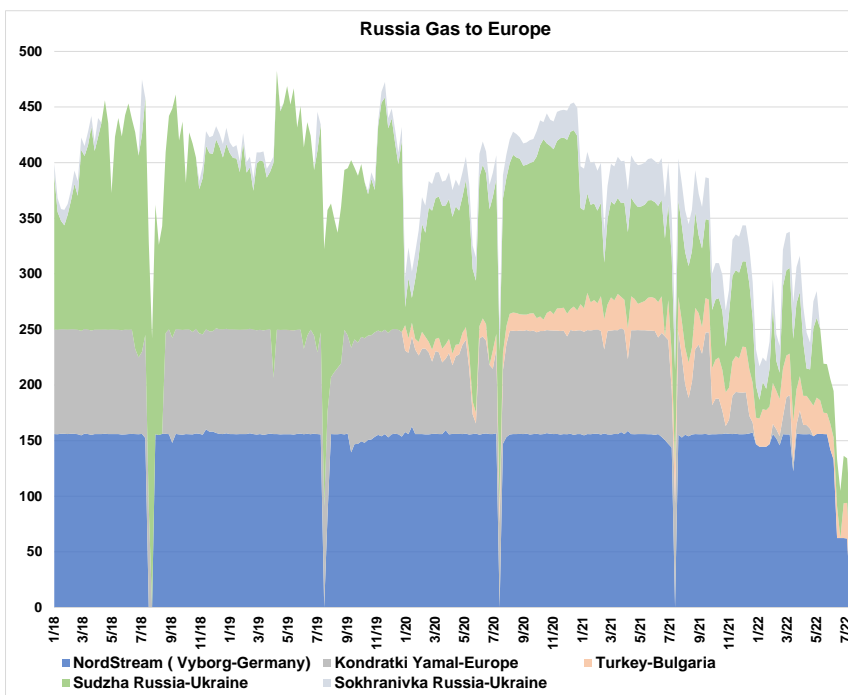
The ECB raised interest rates for the first time since 2011

ECB Deposit rate facility, 2007 - 2024



The ECB raised interest rates by a larger (50 bps) than expected, as inflation outlook remains above target. The ECB announced a meeting-by-meeting approach to interest rate decisions. It is possible another rate hike by 50 bps in September meeting due to high inflation pressures. According to forward markets, the terminal rate for the main refinancing rate is close to 2%. Furthermore, the ECB unveiled a new instrument (Transmission Protection Instrument - TPI) to support the effective transition of monetary policy. TPI purchases will be focused on public sector with a remaining maturity of between one to ten years. Political uncertainty in Italy adds more pressure in ECB to act in case sovereign bond yields move higher.

Russia resumed gas flow to Europe via Nord Stream 1, but uncertainty exists



Source: Bloomberg

Russia began sending natural gas to Europe through the Nord Stream pipeline. Flows returned to 40% of capacity (level before halted). Volatility is expected to be elevated after President Putin commented that capacity may fall to 20% if the repaired turbine does not function appropriately. Earlier this week, the IMF warned that German economy could lose up to 4.8%, if Russia shuts down supplies of natural gas. In such case economic impact would be severe, although most of the consequences would materialize next year. The European Commission warned about a reduction of 1.5% in GDP in the severe scenario of a total disruption in flows of Russian gas. The European Commission enhanced its members, among other measures, to reduce their gas consumption up to 15%, in order to prepare for a fully stop in Russian flows this winter.

Global Markets Minesweeper
Event Risk Calendar, 25 - 29 July 2022

| Monday 25/7 | | | | | | |
|----------------------|---------|--|--------|-----------|-----------|----|
| Date Time | Country | Event | Period | Survey | Prior | |
| 25/7 11:00 | GE | IFO Business Climate | Jul | 90.5 | 92.3 | 🌪️ |
| 25/7 11:00 | GE | IFO Current Assessment | Jul | 98.2 | 99.3 | |
| 25/7 11:00 | GE | IFO Expectations | Jul | 83 | 85.8 | 🌪️ |
| 25/7 13:00 | UK | CBI Business Optimism | Jul | -- | -34 | |
| 25/7 15:30 | US | Chicago Fed Nat Activity Index | Jun | -- | 0.01 | |
| 25/7 17:30 | US | Dallas Fed Manf. Activity | Jul | -22 | -17.7 | |
| Tuesday 26/7 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior | |
| 26/7 16:00 | US | FHFA House Price Index (MoM) | May | 1.60% | 1.60% | |
| 26/7 16:00 | US | S&P CoreLogic CS 20-City (MoM) SA | May | 1.60% | 1.77% | |
| 26/7 17:00 | US | Richmond Fed Manufact. Index | Jul | -14 | -11 | |
| 26/7 17:00 | US | Conf. Board Consumer Confidence | Jul | 96.4 | 98.7 | 🌪️ |
| 26/7 17:00 | US | New Home Sales (MoM) | Jun | -3.40% | 10.70% | |
| Eco Event | US | IMF releases its world economic outlook update | | | | 🌪️ |
| Corp. Results | US | Microsoft, Alphabet, Visa, 3M, General Motors, McDonald's, Coca Cola | | | | |
| | EU | Unilever, LVMH | | | | |
| Wednesday 27/7 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior | |
| 27/7 08:00 | JN | Leading Index CI | May F | -- | 101.4 | |
| 27/7 09:00 | GE | GfK Consumer Confidence | Aug | -30 | -27.4 | |
| 27/7 11:00 | EC | M3 Money Supply (YoY) | Jun | 5.40% | 5.60% | |
| 27/7 15:30 | US | Advance Goods Trade Balance | Jun | -\$102.9b | -\$104.3b | |
| 27/7 15:30 | US | Durable Goods Orders (MoM) | Jun P | -0.50% | 0.80% | 🌪️ |
| 27/7 15:30 | US | Durables Ex Transportation (MoM) | Jun P | 0.30% | 0.70% | |
| 27/7 17:00 | US | Pending Home Sales (MoM) | Jun | -- | 0.70% | |
| 27/7 21:00 | US | FOMC Rate Decision (Lower Bound) | 27-Jul | 2.25% | 1.50% | 🌪️ |
| 27/7 21:00 | US | FOMC Rate Decision (Upper Bound) | 27-Jul | 2.50% | 1.75% | 🌪️ |
| Eco Event | US | Fed Chair (J. Powell) holds press conference (21:30) | | | | 🌪️ |
| Corp. Results | US | Meta Platforms (Facebook), Kraft Heinz, Ford Motor, QUALCOMM | | | | |
| | EU | Deutsche Bank, BASF, Carrefour | | | | |
| Thursday 28/7 | | | | | | |
| Date Time | Country | Event | Period | Survey | Prior | |
| 28/7 12:00 | EC | Economic Confidence | Jul | 102 | 104 | 🌪️ |

July 22, 2022

| | | | | | | |
|----------------------|----------------|--|---------------|---------------|--------------|----------|
| 28/7 12:00 | EC | Consumer Confidence | Jul F | -- | -27 | 🌟 |
| 28/7 15:00 | GE | CPI (YoY) | Jul P | 7.50% | 7.60% | 🌟 |
| 28/7 15:00 | GE | CPI EU Harmonized (YoY) | Jul P | 8.10% | 8.20% | |
| 28/7 15:30 | US | GDP Annualized (QoQ) | 2Q A | 0.50% | -1.60% | 🌟 |
| 28/7 15:30 | US | Personal Consumption | 2Q A | 1.20% | 1.80% | |
| 28/7 15:30 | US | Initial Jobless Claims | 23-Jul | -- | 251k | |
| 28/7 18:00 | US | Kansas City Fed Manf. Activity | Jul | -- | 12 | |
| | | | | | | |
| Corp. Results | US | Apple, Amazon, Intel, Pfizer | | | | |
| | EU | Volkswagen, Banco Santander, Stellantis, Enel, L'Oreal | | | | |
| | | | | | | |
| | | Friday 29/7 | | | | |
| Date Time | Country | Event | Period | Survey | Prior | 🌟 |
| 29/7 02:30 | JN | Tokyo CPI (YoY) | Jul | 2.40% | 2.30% | 🌟 |
| 29/7 11:00 | GE | GDP SA (QoQ) | 2Q P | 0.10% | 0.20% | |
| 29/7 12:00 | EC | CPI Estimate (YoY) | Jul | 8.70% | 8.60% | 🌟 |
| 29/7 12:00 | EC | CPI (MoM) | Jul P | -- | 0.80% | |
| 29/7 12:00 | EC | CPI Core (YoY) | Jul P | -- | 3.70% | 🌟 |
| 29/7 12:00 | EC | GDP SA (QoQ) | 2Q A | 0.10% | 0.60% | 🌟 |
| 29/7 12:00 | EC | GDP SA (YoY) | 2Q A | 3.40% | 5.40% | |
| 29/7 15:30 | US | PCE Deflator (MoM) | Jun | 0.90% | 0.60% | |
| 29/7 15:30 | US | PCE Deflator (YoY) | Jun | 6.60% | 6.30% | 🌟 |
| 29/7 15:30 | US | PCE Core Deflator (MoM) | Jun | 0.50% | 0.30% | |
| 29/7 15:30 | US | PCE Core Deflator (YoY) | Jun | 4.80% | 4.70% | 🌟 |
| 29/7 16:45 | US | MNI Chicago PMI | Jul | 56.2 | 56 | 🌟 |
| 29/7 17:00 | US | U. of Mich. Sentiment | Jul F | 51.1 | 51.1 | 🌟 |
| | | | | | | |
| Corp. Results | US | Exxon Mobil, Procter & Gamble, Colgate Palmolive | | | | |
| | EU | BNP Paribas, Renault, Eni, BBVA, Vinci | | | | |

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