



21st May 2022

Global Market – Focus on US Corporate earnings, China re-opening & Recession fear

Last week we have discussed risk-off trade continue after US Fed, BOE & RBI moves on interest rate. Crypto currency witness massive sell-off and LUNA crypto currency plunge 99.5% and its developer said to stop blockchain mining. We have also discussed valuation reset and how post shake-off this might turn out to be a buying opportunity.

This week we will focus on few corporate earning from US which have triggered some wild move at Wall Street and global market followed including our Indian market. China will gradually open from 1st week of June after stringent lockdown due to zero-covid policy in China.

Global market witness extreme volatility on disappointment of corporate earnings from US and fear of Recession as market fear sharp increase in interest rate by US Fed. Globally central banks policy has clearly shifted from growth to controlling inflation.

Corporate earnings – US retailer Q1 numbers in focus & future outlook



- US retail sales grew at a solid pace in April, reflecting broad-based gains and suggesting demand for merchandise remains resilient despite rampant inflation.
- Walmart (NYSE:WMT) reported on Tuesday first quarter earnings that missed analysts' forecasts and revenue that topped expectations.
- Retail stocks are getting battered today in response to “problematic” earnings reports released by Target (NYSE:TGT) and Walmart (NYSE:WMT) this week.
- Both companies reported elevated costs and higher inventories that dragged on profits and margins. Some analysts highlighted that WMT's and TGT's reports show that the low-end consumer is under significant pressure.

China's Economic Activity Collapses Under Xi's Covid Zero Policy

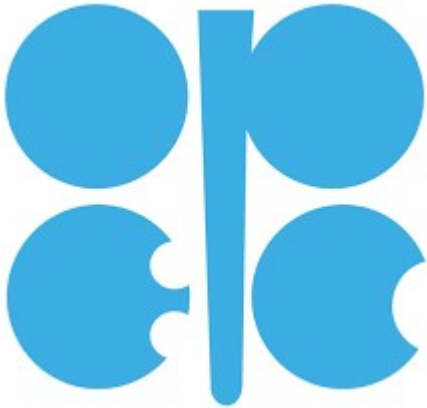
- China's economy is paying the price for the nation's Covid Zero policy, with industrial output and consumer spending sliding to the worst levels since the pandemic began and analysts warning of no quick recovery.
- Industrial output unexpectedly fell 2.9% in April from a year ago, while retail sales contracted 11.1% in the period, weaker than a projected 6.6% drop. The unemployment rate climbed to 6.1% and the youth jobless rate hit a record.



- China's plans to bolster growth as Covid outbreaks and lockdowns crush activity will see a whopping \$5.3 trillion pumped into its economy this year.
- "There's still a lot of space for a stronger fiscal policy, which is more effective in supporting growth now."
- "The mainstay of policy this year is fiscal spending and government investment, while the central bank is only playing a supportive role so far," said David Qu, China economist at Bloomberg Economics.



OPEC+ Ministers Say Pumping More Oil Won't Ease Gasoline Prices



Saudi Arabia's energy minister said a dearth of refining capacity meant that gasoline and other oil products would remain expensive even if the world's biggest exporters pumped more crude.

"There is no refining capacity commensurate with the current demand and the expectation of the demand in the summer," the minister said at an energy conference in Bahrain on Monday.

Goldman's Blankfein Says U.S. At 'Very, Very High Risk' Of Recession

- Goldman Sachs Senior Chairman Lloyd Blankfein urged companies and consumers to gird for a US recession, saying it's a "very, very high risk."
- "If I were running a big company, I would be very prepared for it," Blankfein said on CBS's "Face the Nation" on Sunday. "If I was a consumer, I'd be prepared for it."
- A recession is "not baked in the cake" and there's a "narrow path" to avoid it, he said. The Federal Reserve has "very powerful tools" to tamp down inflation and has been "responding well," the former Goldman chief executive officer said.

Ruble Surges To 7-Year High As Gas Buyers Bend To Putin's Will

- The ruble surged to the highest level in seven years against the euro as more European companies appeared to be complying with Vladimir Putin's demand that they switch to paying in Russia's currency for natural gas.
- The ruble jumped as much as 9% against the euro, hitting its strongest level since June 2015, and was up almost 5% against the dollar at 59.18 as of 1:35 p.m. in Moscow. The Russian currency is the best performer against both globally this year.



Dollar's Strength – Slowdown in other world economy.

- The soaring dollar is propelling the global economy deeper into a synchronized slowdown by driving up borrowing costs and stoking financial-market volatility -- and there's little respite on the horizon.
- A closely watched gauge of the greenback has risen 7% since January to a two-year high as the Federal Reserve embarks on an aggressive series of interest-rate increases to curb inflation and investors have bought dollars as a haven amid economic uncertainty.

Powell Reiterates Half-Point Hikes Are Likely In June And July



- Federal Reserve Chair Jerome Powell reaffirmed that the central bank is likely to raise interest rates by a half percentage point at each of its next two meetings, while leaving open the possibility it could do more.
- "If the economy performs about as expected," Powell said, "it would be appropriate for there to be additional 50-basis point increases at the next two meetings."
- Asked if he was taking a larger 75 basis-point increase off the table, he restated his comment from a

May 4 press conference that the Fed wasn't "actively considering" such a move, according to a transcript of the interview released by Marketplace.



Equichain Wealth Advisors: Key points & Opinion

We witness high volatility this week as market have corrected more than 10% from Mid-April run-up to US FOMC meeting on 3 – 4 May 2022.

Dollar Strength is causing inflationary pressure on other global economies and worst impact is seen on emerging market equity & currency.

US Fed has started tightening from March onwards and corporate result are already seeing impact on its margin due to high inflation. So, the big question based on key points mention in this article is – US heading for recession? Have global market after current fall have factored in recession prices??

Equichain Wealth Advisors – SEBI registration number (RIA): INA000016472

Telegram channel: <https://t.me/Equichain>

Nikunj Vithlani