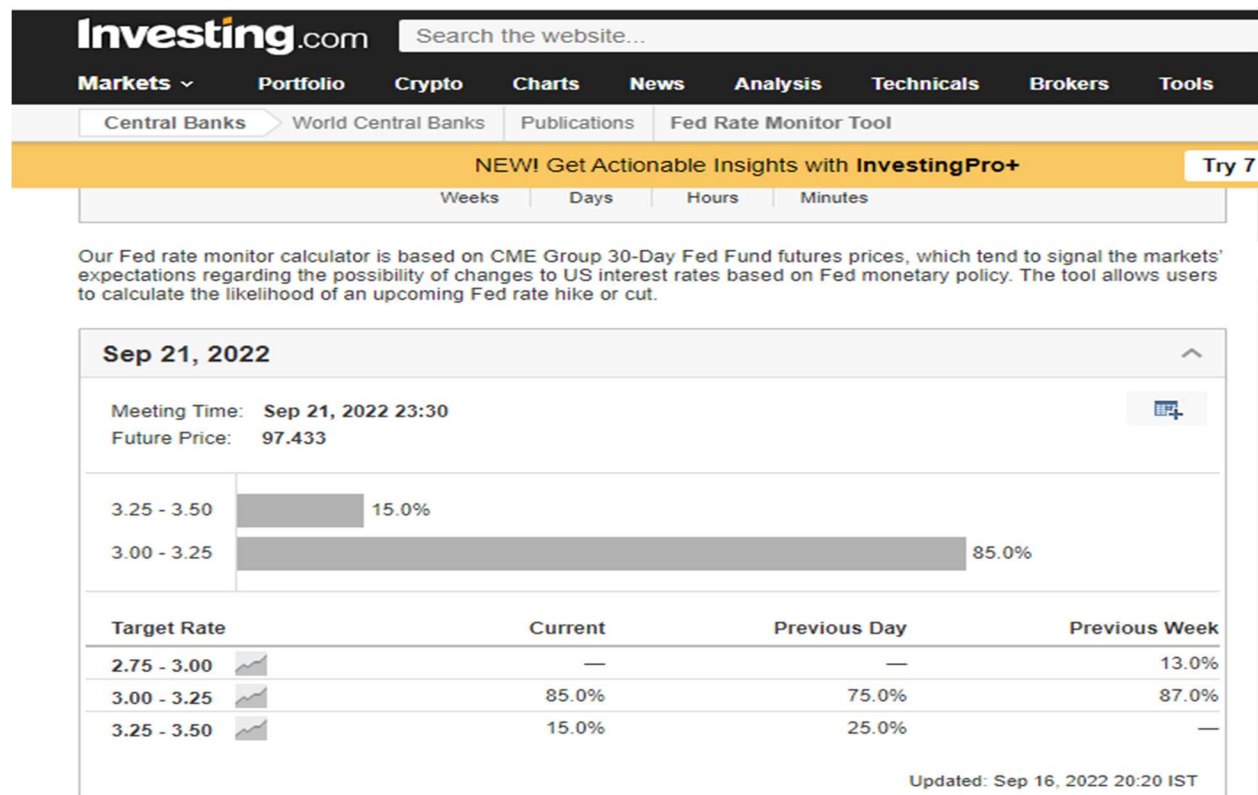


17th September 2022

Global Market – US FED meeting outcome on 21-Sep-22

Last week, we have discussed G7 nations proposing price cap on Russian oil and OPEC+ nations cut their output by 100,000 bpd from October 2022. Global narrative continues to revolve around high inflation due to high energy prices and globally central bank 's focus to increase interest rate to control inflation.

This week we will discuss on US FED meeting on 20 – 21 September 2022, meeting outcome will be on 21-Sep-22. US FED is expected to increase rate by 75-bps with after latest US CPI & Core CPI inflation data released on 13-Sep-22. There is 15% probability of 100-bps rate hike as per Fed rate monitor tool.



Before US CPI & Core CPI inflation data released on 13-Sep-22, there was probability playing on 50-bps & 75-bps and now Fed rate monitor tool is showing probability between by 75-bps & 100-bps.

Globally, financial market has not fully factored in 100-bps rate hike and on 21-Sep-22, if US FED increase rate by 100-bps there is negative reaction across assets classes.

US 2-year bond yield @ 3.90% inverting US 10-year bond yield – Indicating recession?

Higher yield for US 2-year bond yield indicative US FED may raise rate at faster pace to control inflation and bring to long term sustainable level of 2%.

US 2-year bond yield inversion compared to 5-year & 10-year bond yield also increase the probability of recession in near term.

If US FED guides for tight monetary policy on 21-Sep-22, US 2-year bond yield could rise to 4.25% to 4.5%. In Jackson Hole Symposium speech US Fed chair Jerome Powell have guided for some pain for economy to bring inflation down for sustainable long-term growth.

USA Government Bonds »

Name	Yield	Prev.	High	Low	Chg.	Chg. %	Time
 U.S. 30Y	3.499	3.480	3.549	3.455	+0.019	+0.54%	11:19:55 
 U.S. 10Y	3.440	3.459	3.492	3.415	-0.019	-0.56%	11:20:00 
 U.S. 5Y	3.6362	3.6740	3.7050	3.6130	-0.0380	-1.03%	11:20:00 
 U.S. 2Y	3.8967	3.8730	3.9240	3.8600	+0.0240	+0.61%	11:19:59 

U.S. mortgage rates have doubled this year & have now climbed past 6% for the first time since November 2008.

Global Recession Looms Amid Broadest Rate Hikes in Five Decades, World Bank Says - The global economy may face a recession next year caused by an aggressive wave of policy tightening that could yet prove inadequate to temper inflation, the World Bank said in a new report.

Pound Marks Black Wednesday with Drop to Lowest Since 1985 - It dropped further on Friday, falling below the \$1.14 level for the first time since 1985, underperforming most other Group-of-10 currencies.



Equichain Wealth Advisors – Market view & Opinion

We believe, US FED would increase rate by 75-bps which could provide relief rally in global asset classes. Any surprise moves to increase rate by 100-bps would send market another round of selling pressure across global asset classes.

US FED will continue to guide for a tight monetary policy as we understand from US Fed chair Jerome Powell speech at Jackson Hole Symposium. We expect US FED to guide Fed fund rate to be around 4% by 2022 end and 4.25% - 4.5% by March 2023.

US FED has an objective of soft landing and going into US FOMC meeting on 20 – 21 September 2022, outcome on 21-Sep-22, US FED will continue to maintain its stance of tight monetary policy and also maintain its commitment on soft landing.