



3<sup>rd</sup> December 2022

### **Global Market- Powell speech, Jobs data & China 's zero COVID policy**

Last week we have discussed how Fed members were anticipating recession in 2023 and U.S. balance sheet which continue to be at much higher and US Fed will continue to focus on downsizing the balance sheet. Most US Fed members expect slowdown in rate hike.

This week we will discuss strong monthly jobs data, US Fed chair Jerome Powell speech, OPEC+ meeting in focus next week and China likely to change its zero COVID policy to boost economy as protest seen across China.

### **US Economic data – released on 2-Dec-22**

1. Average hourly earnings - Actual @ 0.6% Vs estimate of 0.3%
2. Nonfarm payroll change - Actual @ 263k Vs estimate of 200k
3. Unemployment rate - Actual @ 3.7% Vs estimate of 3.7%

This jobs data will play role in decision making in upcoming US Fed meeting on 13 – 14 December 2022, immediate market reaction to this jobs data was negative. Current trends are that weak economic data is positive for market and strong economic data will lead to correction in market.

### **Powell's 'Most Important' Inflation Indicator Is Cooling Down**

A measure of US inflation flagged by Federal Reserve Chair Jerome Powell as perhaps the “most important” guide to the outlook posted a slowdown last month, according to Commerce Department data published Thursday.

Prices of services excluding housing and energy services rose 0.3% in October, the smallest increase in three months, and down from a 0.5% jump in September.

### **OPEC+ expected to keep output unchanged at meeting on 4-Dec-22**

The 23-nation OPEC+ alliance angered President Joe Biden when it announced the significant supply cut in October, with the US accusing Riyadh of endangering global growth and abetting coalition member Russia in its war against Ukraine.

Members are waiting to gauge the impact of European Union sanctions, and a possible price cap, which take effect on Russian exports the following day.

### **China May Signal Policy Shift to Economy from Covid Zero**

The 24-member Politburo, the Communist Party's top decision-making body, usually convenes in early December every year to set broad guidelines for economic policy for the coming year. The plans are then fleshed out at the Central Economic Work Conference, which often follows within a week of the Politburo meeting.



With Beijing now signaling a decisive shift away from its zero-tolerance approach to combating Covid infections, economists say China desperately needs more monetary and fiscal stimulus to support the recovery into next year.

### **Shipping Costs For Russian Oil Soar Ahead Of More Sanctions**

Shipping costs for Russian crude are skyrocketing as more tanker owners shun the trade days before stricter European Union sanctions take effect.

Owners who are still willing to load Russian crude are attempting to charge more for the risk. Baltic Sea-to-India rates are being discussed at about \$15 million -- or \$20 a barrel --- for loadings after Dec. 5 when new EU restrictions kick in, said shipbrokers. That's a sharp increase from \$9 million to \$11.5 million before.

### **Equichain Wealth Advisors: Market View & Opinion**

Last week economic data from U.S. were weak and indicating further weakness and chance of recession in 2023, today's jobs data was strong and validate point by US Fed chair Jerome Powell that despite weakness in data, jobs market continue to remain strong.

In his speech this week, US Fed chair Jerome Powell has put focus on two major points which we think is clear indication of what can be expected from next US Fed meeting. Fed rate monitor tool indicate 75% probability of 50-bps rate hike.

- 1) He sees interest rate stable for a consistent period of time before interest rate decrease.
- 2) He sees slowdown in rate hike and would like to see impact of recent hike play out.

So, we repeat our view and statement for 4<sup>th</sup> week straight that we see December 2022 as repeat of August 2007.

**Recent development seen this week have turned our view bullish and high probability of repeat of August 2007 – January 2008 phase which witness sharp rally in global assets class with risk-on sentiment.**

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