

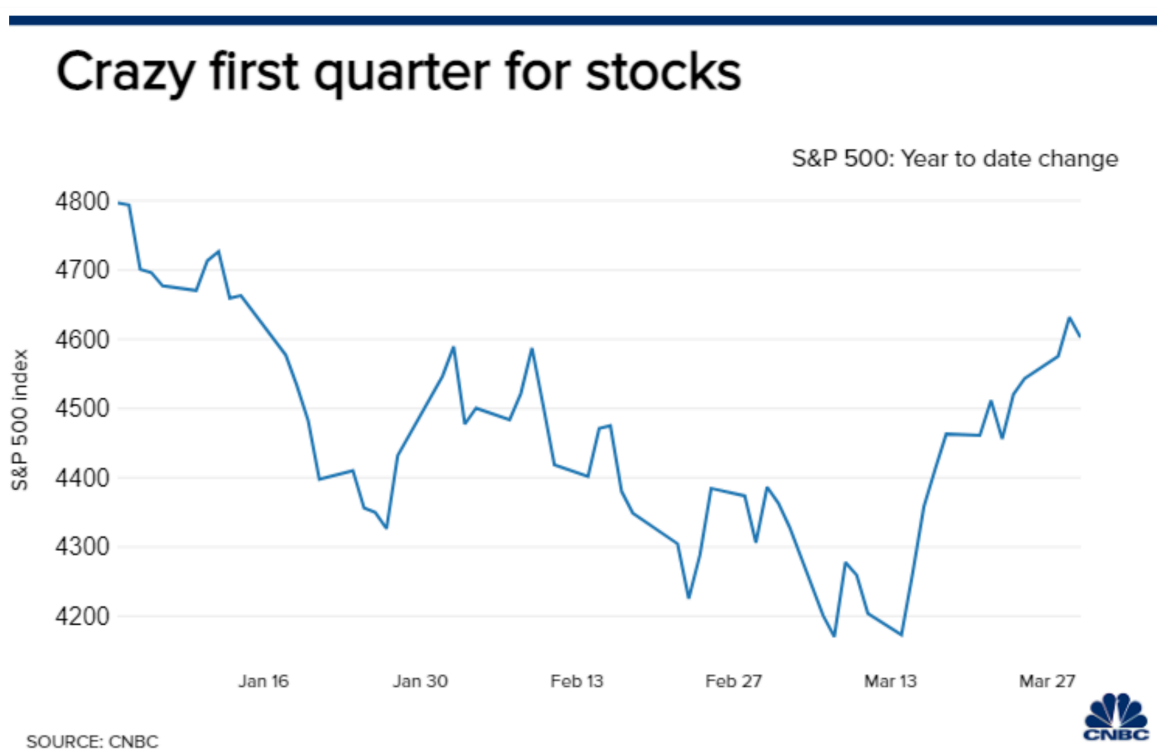


QUARTERLY RECAP Q1 2022

The US broad equity index, Standard & Poors 500 closed its worst quarter since the start of the coronavirus pandemic.

Expecting an aggressive rise in interest rates, high inflation and of course under pressure from the war in Ukraine, the mentioned benchmark fell 4.9% from beginning of January to the end of March 2022. Tech-heavy Nasdaq fared worse declining 9.1%.

Looking at the „chart of the day“, the rebound mid March mitigated the possible result of this wild quarter:



Could this be a „dead-cat-bounce“ or a reversal of tendency? The reasons for a down quarter were plenty. But no matter which way you turn, there is more uncertainty about the future of equity markets. How aggressive will the Federal Reserve be ? What if the war escalates? What if ...?

Adding to equity value erosion there is also the dramatic drop in US Treasury bond prices causing heavy losses to bond holders : the two-year yield, which moves inversely to price, has risen by 1.58 percentage points, the most quarterly rise in almost 40 years. (1984)



Approximately 7 more quarter-point rises are expected as investors bet that the Federal Reserve will have to move more swiftly than in previous cycles to tamp down inflation. **(We warned about raising inflation starting May last year)**

A Bloomberg index of total returns from Treasuries had fallen 5.6 per cent this year as of Wednesday's close, putting it on course to post its **weakest quarterly performance** since the inception of the index in 1973.

Oil prices weakened on Thursday after the US announced a “historic release” of about 180mn barrels from its Strategic Petroleum Reserve in response to a global supply shortage. Line chart of year-on-year change in core PCE price index (%) showing Fed's preferred inflation gauge shoots higher The Opec+ group of oil-producing nations said it would aim to raise production by 432,000 barrels a day in May, continuing with the monthly plan agreed last year to gradually replace output cut at the start of the pandemic.

Brent crude, the international oil benchmark, settled at \$107.91 a barrel, down 4.9 per cent, although oil prices have risen almost 40 per cent in 2022. The moves came as data showed that the US Federal Reserve's preferred inflation gauge — the core personal consumption expenditures index which strips out the volatile food and energy sectors — rose 0.4 per cent in February from the previous month. The figure marked a moderation from January, but took the annual increase in the core PCE index to 5.4 per cent, the quickest pace in about 40 years.

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