

The week in seven charts

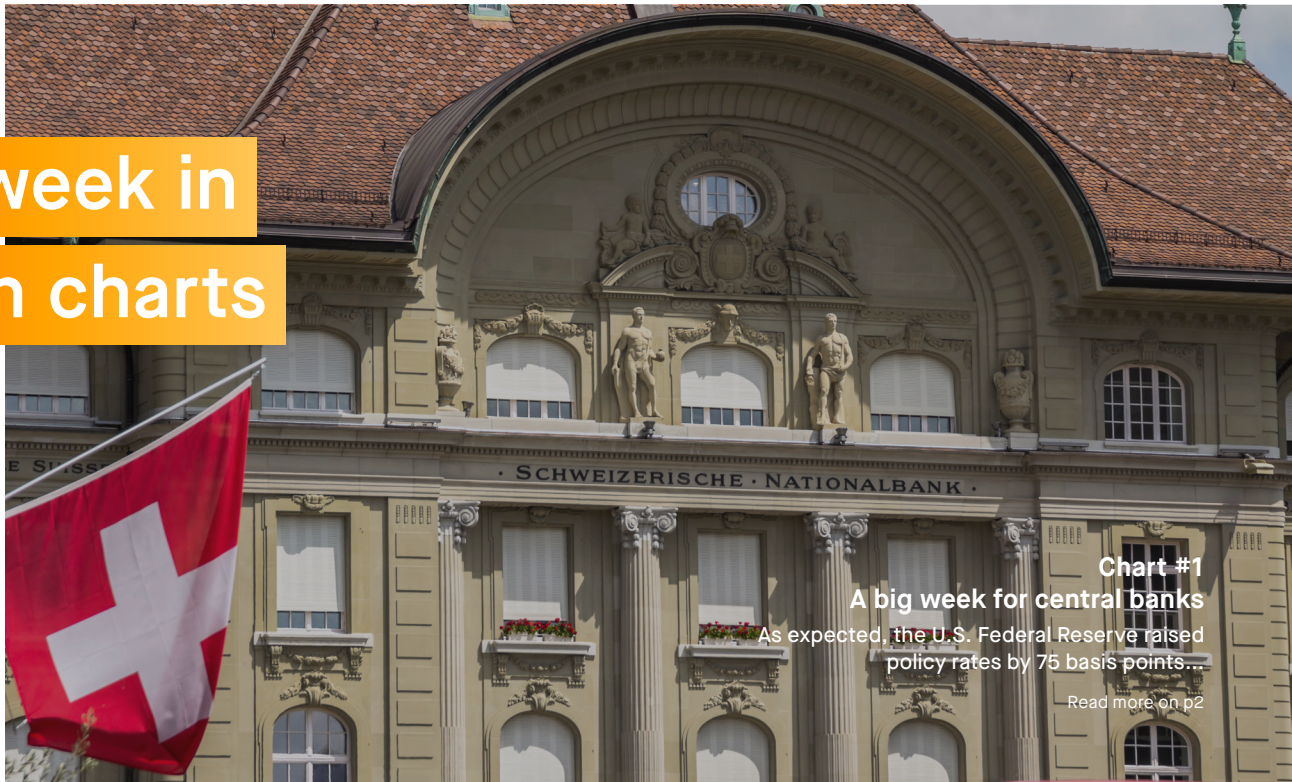


Chart #1 A big week for central banks

As expected, the U.S. Federal Reserve raised policy rates by 75 basis points...

[Read more on p2](#)

Central banks around the world are stepping up their game

Last week was all about central banks and their continued efforts to curb inflation. Multi-asset management is still a head-scratcher and crypto-assets' crash intensified. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau

Chief Investment Officer

Chart #1 —

A big week for central banks

As expected, the U.S. Federal Reserve raised policy rates by 75 basis points, which is its most aggressive move since 1994. But the Fed was not the only central bank to take center stage last week. Of course, monetary authorities in countries whose currencies are pegged to the dollar raised their rates in the process (e.g. Saudi Arabia). But the most unexpected move came from the Swiss National Bank, which raised rates by 50 basis points, its first rate hike since 2007. The Bank of England also made an upward adjustment of 25 basis points. At the same time, the European Central Bank held an unscheduled meeting and indicated that it would take action to stem the widening of yield spreads between member states' sovereign bonds. Elsewhere in the world, Brazil raised its policy rate by 50 basis points and Taiwan by 12.5 basis points. The only central bank to remain inactive was the Bank of Japan, which, despite inflationary pressures, decided to maintain its negative rate policy and the use of yield curve controls to suppress any rise in long-term yields. As the chart below shows, the rate hike is global, but there are still large disparities in real rates.

Global central bank policy rates

Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	Last Move	Last Date
Denmark	Deposit Rate	-0.60%	7.4%	-8.0%	Cut	Sep-21
Eurozone	Deposit Rate	-0.50%	8.1%	-8.6%	Cut	Sep-19
Switzerland	Target Rate	-0.25%	2.9%	-3.2%	Hike	Jun-22
Japan	Policy Rate Bal	-0.10%	2.5%	-2.6%	Cut	Jan-16
Sweden	Repo Rate	0.25%	7.3%	-7.1%	Hike	Apr-22
Thailand	Policy Rate	0.50%	7.1%	-6.6%	Cut	May-20
Norway	Deposit Rate	0.75%	5.7%	-5.0%	Hike	Mar-22
Australia	Cash Rate	0.85%	5.1%	-4.3%	Hike	Jun-22
UK	Bank Rate	1.25%	9.0%	-7.8%	Hike	Jun-22
Hong Kong	Base Rate	1.25%	1.3%	0.0%	Hike	May-22
Taiwan	Discount Rate	1.50%	3.4%	-1.9%	Hike	Jun-22
Canada	Overnight	1.50%	6.8%	-5.3%	Hike	Jun-22
US	Fed Funds	1.63%	8.6%	-7.0%	Hike	Jun-22
South Korea	Repo Rate	1.75%	5.4%	-3.7%	Hike	May-22
New Zealand	Cash Rate	2.00%	6.9%	-4.9%	Hike	May-22
Malaysia	Policy Rate	2.00%	2.3%	-0.3%	Hike	May-22
Saudi Arabia	Repo Rate	2.25%	2.2%	0.1%	Hike	Jun-22
Philippines	Key Policy Rate	2.25%	5.4%	-3.2%	Hike	May-22
Indonesia	Repo Rate	3.50%	3.6%	0.0%	Cut	Feb-21
China	Loan Prime Rate	3.70%	2.1%	1.6%	Cut	Jan-22
South Africa	Repo Rate	4.75%	5.9%	-1.2%	Hike	May-22
India	Repo Rate	4.90%	7.0%	-2.1%	Hike	Jun-22
Peru	Policy Rate	5.50%	8.8%	-3.3%	Hike	Jun-22
Czech Republic	Repo Rate	5.75%	16.0%	-10.3%	Hike	May-22
Poland	Repo Rate	6.00%	13.9%	-7.9%	Hike	Jun-22
Colombia	Repo Rate	6.00%	9.1%	-3.1%	Hike	Apr-22
Mexico	Overnight Rate	7.00%	7.7%	-0.6%	Hike	May-22
Chile	Base Rate	9.00%	11.5%	-2.5%	Hike	Jun-22
Russia	Key Policy Rate	9.50%	17.1%	-7.6%	Cut	Jun-22
Brazil	Target Rate	13.25%	11.7%	1.5%	Hike	Jun-22
Turkey	Repo Rate	14.00%	73.5%	-59.5%	Cut	Dec-21
Argentina	Benchmark Rate	49.00%	60.7%	-11.7%	Hike	May-22

Source: Charlie Bilello

Chart #2 —

Will the SNB start to sell US stocks?

The Swiss National Bank unexpectedly raised rates by 50 basis points to curb inflation, seizing a window of opportunity to move closer to positive rates. Not only did the SNB raise the key interest rate, but it also warned that

it might sell some of the securities on its balance sheet. Indeed, the SNB has diversified its foreign exchange reserves into equities and corporate bonds over the years and this trend may soon be reversed. The goal is to sell U.S. stocks and use the dollars to buy Swiss francs, making the Swiss currency stronger and thus fighting inflation. The SNB currently holds about \$177 billion in U.S. equities, concentrated mainly in large technology stocks. Indeed, the SNB is one of the largest holders of Apple, Microsoft and Amazon shares in the world. Will we see more selling pressure on the Nasdaq?

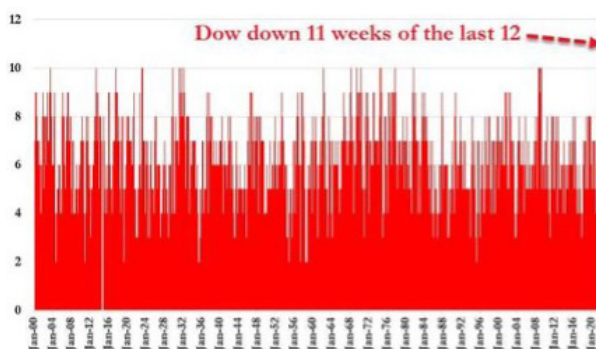
Investment in the Nationstate										US Stocks							
Type: Institution Government Management Type: Active																	
Historical View		Periodicity		Quarterly	Half	Full	2022	2021	Field	Position							
Group	Stock	Show	Asset	Type	Net	13F	Currency	Qtr	Total	Cur	Hold Val	154.76	Num of Holdings	2,981			
Security									Ticker	Source	Position		Pos Chg	% Out	Cur	Qty	Filing Date
									Ticker	Source	Position						
1	Apple Inc								APPL US	13F	71,060,708	+8,238N	44	9.628N	03/21/22		
2	Microsoft Corp								MSFT US	13F	30,893,155	+3,768N	41	7.768N	03/21/22		
3	Amazon.com Inc								AMZN US	13F	39,539,440	+4,898N	39	4.898N	03/21/22		
4	Alphabet Inc Class A								GOOG US	13F	1,262,899	+154,500	43	2.868N	03/21/22		
5	Alphabet Inc Class C								GOOGL US	13F	1,238,537	+143,300	40	2.738N	03/21/22		
6	Tesla Inc								TSLA US	13F	3,697,259	+498,700	36	2.588N	03/21/22		
7	Johnson & Johnson								JNJ US	13F	11,402,516	+1,498N	43	1.948N	03/21/22		
8	UnitedHealth Group Inc								UNH US	13F	4,079,426	+495,200	43	1.968N	03/21/22		
9	NVIDIA Corp								NVDA US	13F	10,628,224	+1,338N	43	1.798N	03/21/22		
10	Exxon Mobil Corp								XOM US	13F	18,336,791	+2,258N	44	1.748N	03/21/22		
11	Meta Platforms Inc Class A								META US	13F	10,249,010	+1,198N	45	1.748N	03/21/22		
12	Visa Inc Class A								V US	13F	7,222,119	+817,500	44	1.638N	03/21/22		
13	Procter & Gamble Co/The								PG US	13F	10,481,473	+1,258N	44	1.598N	03/21/22		
14	Chevron Corp								CVX US	13F	8,349,332	+998,700	42	1.378N	03/21/22		
15	Home Depot Inc/The								HD US	13F	4,522,866	+511,600	44	1.278N	03/21/22		
16	Mastercard Inc Class A Common Stock								MA US	13F	3,799,557	+451,200	39	1.248N	03/21/22		
17	Pfizer Inc								PFE US	13F	24,310,941	+338N	43	1.248N	03/21/22		
18	Coca-Cola Co/The								KO US	13F	17,773,194	+2,178N	41	1.248N	03/21/22		
19	AbbVie Inc								ABBV US	13F	7,657,175	+940,300	43	1.248N	03/21/22		
20	Eli Lilly & Co								LLY US	13F	3,571,748	+412,200	37	1.248N	03/21/22		
21	PepsiCo Inc								PEP US	13F	5,984,604	+725,300	43	1.248N	03/21/22		
22	Broadcom Inc								AVGO US	13F	1,782,742	+223,400	44	1.248N	03/21/22		
23	Merck & Co Inc								MRK US	13F	10,940,532	+1,328N	43	1.248N	03/21/22		
24	Verizon Communications Inc								VZ US	13F	17,692,301	+2,248N	43	1.248N	03/21/22		
25	Thermo Fisher Scientific Inc								TMO US	13F	1,706,727	+211,400	44	1.248N	03/21/22		
26	Costco Wholesale Corp								COST US	13F	1,913,699	+233,400	43	1.248N	03/21/22		
27	Abbott Laboratories								ABT US	13F	7,658,965	+950,600	44	1.248N	03/21/22		
28	Cisco Systems Inc								CSCO US	13F	10,267,620	+2,258N	44	1.248N	03/21/22		
29	Wal-Mart Inc								WMT US	13F	6,642,783	+784,900	34	1.248N	03/21/22		
30	Conoco Corp Class A								CCSA US	13F	19,748,429	+2,348N	44	1.248N	03/21/22		
31	Adobe Inc								ADBE US	13F	2,660,789	+249,900	44	1.248N	03/21/22		
32	McDonald's Corp								MCD US	13F	3,226,557	+394,000	44	1.248N	03/21/22		
33	Accenture PLC Class A Ordinary Shares								ACN US	13F	2,735,838	+325,500	43	1.248N	03/21/22		
34	Walt Disney Co/The								DIS US	13F	7,872,771	+966,000	43	1.248N	03/21/22		
35	Salesforce Inc								CRM US	13F	4,240,331	+519,200	43	1.248N	03/21/22		
36	Bristol Myers Squibb Co								BMY US	13F	9,613,857	+1,178N	45	1.248N	03/21/22		

Source: Bloomberg

Chart #3 —

The Dow Jones ends in the red again

The Fed's monetary tightening is sparking recession fears and sent stocks tumbling for a second straight week. The S&P 500 Index posted its worst weekly decline since March 2020 and entered a bear market, ending the week nearly 24% below its January peak. As for the Dow Jones Industrial Average, it has recorded 11 weeks of declines out of the last 12, a streak that has never been seen before. While U.S. stocks rallied after the FOMC decision on Wednesday, the mood on Wall Street deteriorated on Thursday due to weak macroeconomic numbers. Indeed, several reports (housing starts, building permits) indicated that the U.S. housing sector was already feeling the impact of the Fed's tightening and the surge in mortgage rates. In addition, U.S. retail sales were lower than expected, while weekly jobless claims were higher than expected.



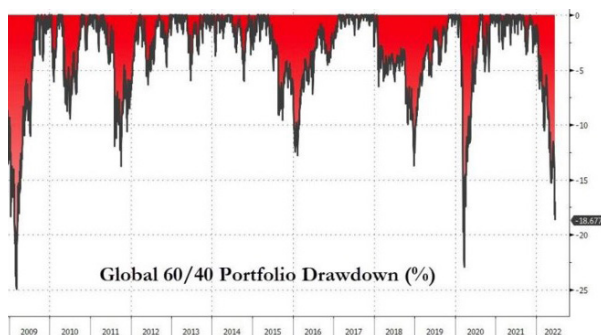
Source: Bloomberg

Chart #4 —

Times remain very difficult for multi-asset investing

Stocks were not the only asset class to suffer over the past week. Inflation and interest rate fears pushed the 10-year U.S. Treasury yield to 3.49% on Tuesday (its highest level in more than a decade) before falling back to 3.24% by the end of the week. Most fixed income segments were down for the week.

After some divergence, the return to a simultaneous decline in stocks and bonds makes multi-management very complicated. Indeed, the positive correlation between the two asset classes cancels the traditionally beneficial effects of diversification. A 60/40 (stock/bond) U.S. index is down nearly 20% from its historical highs, with the magnitude of the decline almost equally divided between stocks and bonds.



Source: Bloomberg

Chart #5 —

«Smart money» is buying US stocks during the downturn

Several indicators suggest that U.S. stocks are very clearly in oversold territory. Another indicator worth noting is that Bloomberg's SMART Money Flow has soared as part of this pullback in stocks, creating a de facto positive divergence. The Smart Money Flow index is calculated using a formula that measures Dow Jones stock during two periods: shortly after the open and in the last hour. The first few minutes represent emotional, greed and fear-driven buying by retail investors based on good and/or bad news. The last hour is often dominated by institutional investor buying or selling.



Source: Bloomberg

There is a caveat though. The Smart Money Flow Index can give false signals in a bear market, as short sellers tend to close out their positions at the end of the trading day (i.e. in the last 30 minutes), briefly driving the market higher.

Chart #6 —

The credit market at the breaking point?

High yield bond markets continued to fall last week, with the High Yield Corporate Bond ETF (HYG) falling to its lowest level since March 2020. At that time, the Fed had stepped in to support the debt market and bought bonds for considerable amounts. This is not the priority of the monetary authorities at the moment, as the Fed now seems determined to fight inflation even at the expense of the financial markets. The lack of a Fed put is perhaps the biggest stress on the markets right now.



Source: Bloomberg

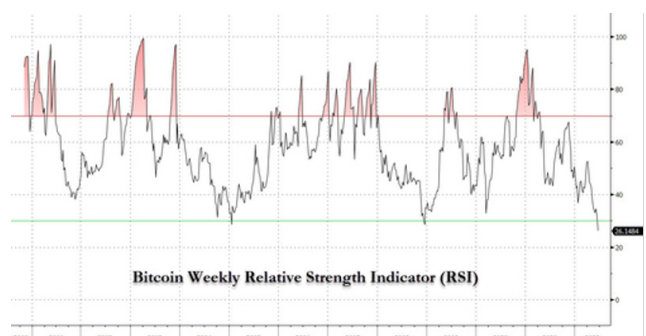
Chart #7 —

Is the bitcoin oversold?

Bitcoin (-30%) had its worst week since March 2020 to reach the psychological threshold of \$20,000. An important support that did not hold over the weekend as Bitcoin even fell below \$20,000 due to cascading forced liquidations.

Ethereum saw an even bigger drop, losing 35% last week alone. At issue is the liquidity crisis that is currently plaguing several "crypto lenders".

With regards to Bitcoin, it would appear that the leading cryptocurrency has never been so oversold (see RSI indicator below).



Source: Bloomberg

For further information

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