

## Chart of the week

### EXTREME SKEW

Markets rebound can be self-fulfilling. There are too many shorts who are now panic-buying call options on the S&P 500 to hedge themselves. As such, S&P 500 volatility skew is at extreme levels (i.e calls buying is extreme vs. puts buying).



Source: Bloomberg, [www.zerohedge.com](http://www.zerohedge.com)

---

### Best week since June for Wall Street

Stocks recorded strong gains, as investors appeared to react to some prominent earnings reports and hints that Fed might moderate its pace of interest rate hikes. The S&P 500 enjoyed its best weekly gain in nearly four months, while the Dow marked its third consecutive week of gains. Energy shares outperformed within the S&P 500, as oil prices proved resilient despite the announcement of a release from the U.S. Strategic Petroleum Reserve. Trading remained active and volatile, due in part to the expiration of USD 2 trillion in options contracts on Friday. The week started off on a strong note, thanks to a reversal in the UK government's fiscal stimulus plans. Investors are climbing the proverbial "wall of worry" after the previous Friday's steep decline and a perceived surplus of short positions taken by hedge funds. Better-than-expected quarterly results, guidance, and buybacks from Goldman Sachs also seemed to provide a broad boost to sentiment. The 10-year U.S. Treasury note hit a 14-year high of 4.33% on Friday morning but dovish comments triggered an afternoon rally. Shares in Europe rose on the resignation of UK Prime Minister Liz Truss and the scrapping of her fiscal policies. Japanese equities ended a choppy week of trading lower than they began as global recessionary fears and further currency weakness remained prevalent themes. China's stock markets recorded a weekly loss after Beijing delayed releasing key economic data without explanation.

## #GLOBALMARKETS WEEKLY WRAP-UP

Hand-curated selection of the best charts & news flow

22 OCTOBER 2022

#markets

### #weekly #returns

INDEX	CLOSE	WEEK	YTD
Dow Jones Industrial Average	31,083	4.9%	-14.5%
S&P 500 Index	3,753	4.7%	-21.3%
NASDAQ	10,860	5.2%	-30.6%
MSCI EAFE	1,698	1.7%	-27.3%
10-yr Treasury Yield	4.23%	0.2%	2.7%
Oil (\$/bbl)	\$85.16	-0.5%	13.2%
Bonds	\$93.82	-0.9%	-16.5%

Source: Factset. 10/21/2022. Bonds represented by the iShares Core U.S. Aggregate Bond ETF. Past performance does not guarantee future results. \* 4-day performance ending on Thursday.

Source: Edward Jones

## #GLOBALMARKETS WEEKLY WRAP-UP

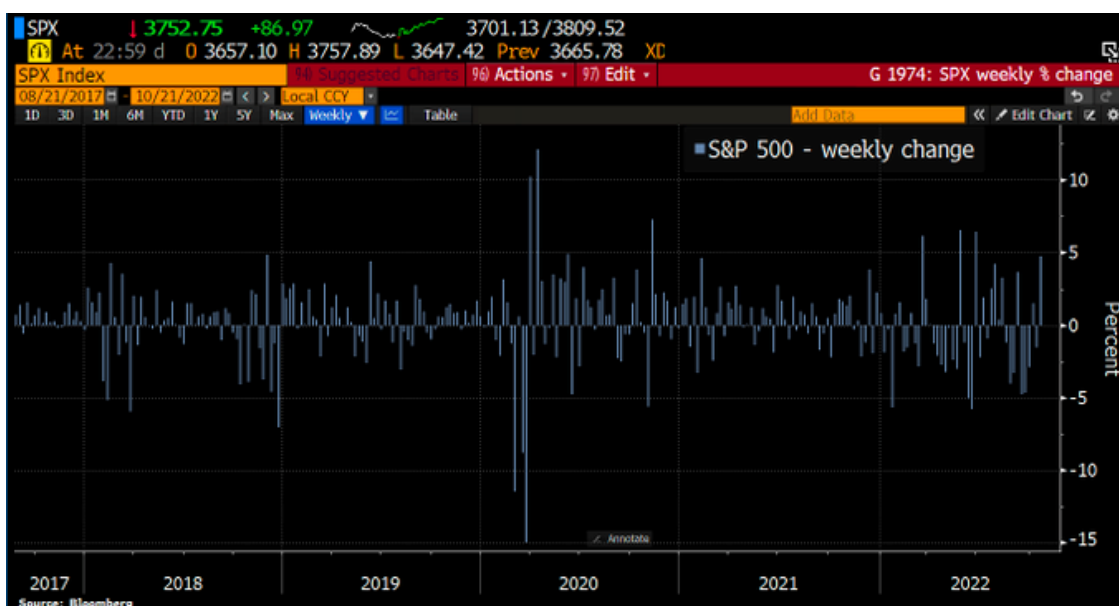
Hand-curated selection of the best charts & news flow

22 OCTOBER 2022

#markets

## #us #equities #rebound

The S&P 500 roared back to life w/S&P 500 up 4.7% this week.

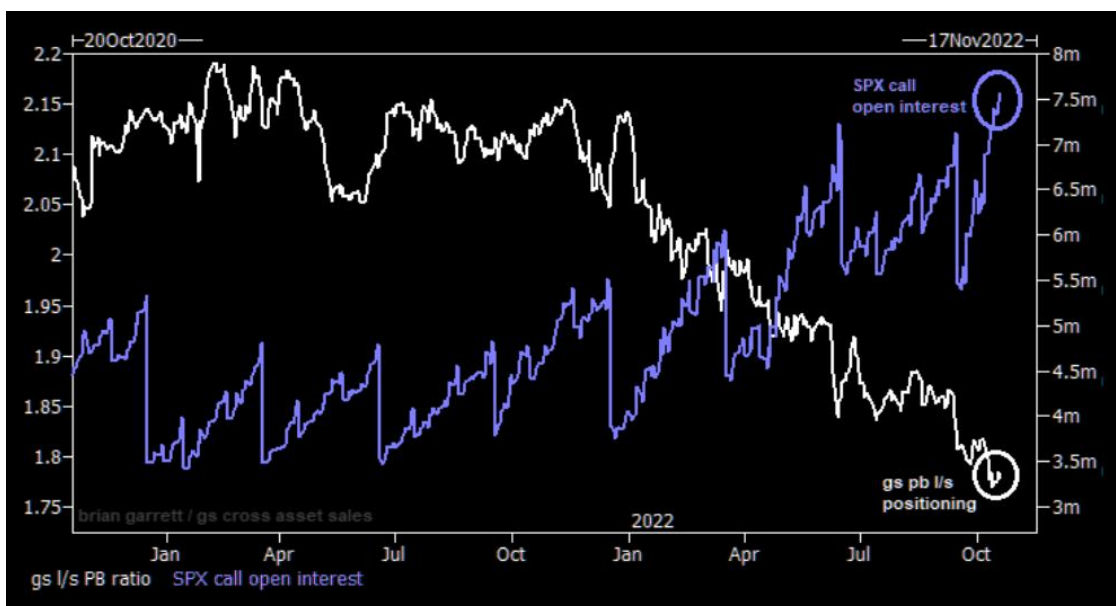


Source: Bloomberg



## #us #equities #rebound

The crowd is short via delta 1 products. This trend has been going on for some time. Investors have been "forced" to cover the possible upside risks via buying calls as shown on this chart with GS Prime Brokerage long/short ratio (in white) vs SPX open interest calls (in blue)-

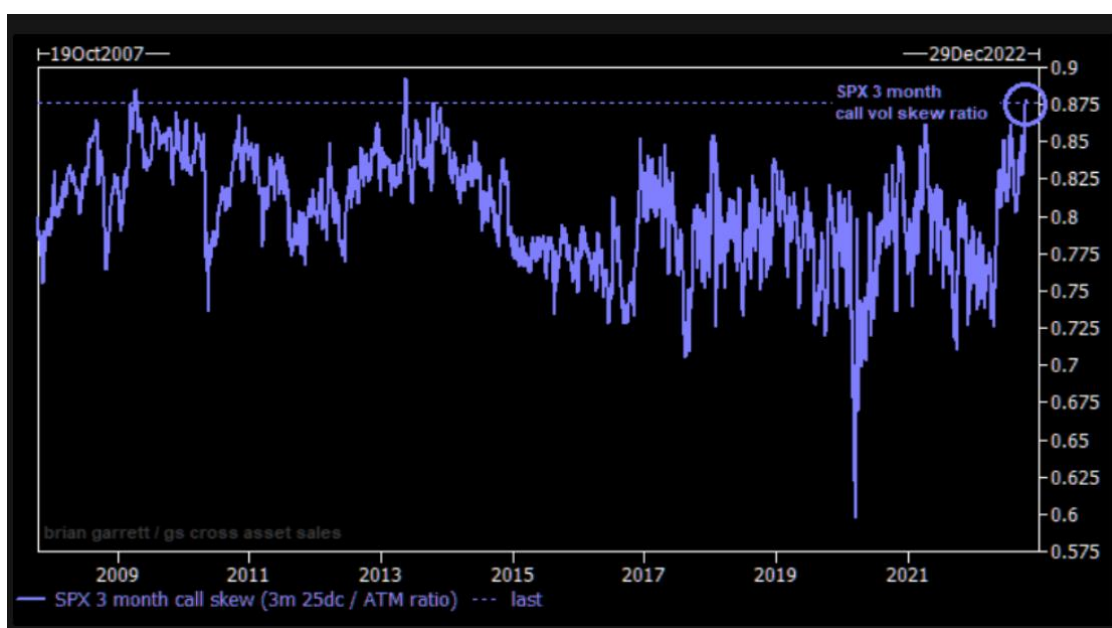


Source: TME

#markets

## #us #equities #rebound

As a consequence of “forced” call buying, SPX upside calls have never been more expensive, talking in volatility terms.



Source: TME



## #us #equities #rebound

VIX was bid Friday afternoon as stocks soared – because of heavy calls buying (levered longs)?



Source: Bloomberg, [www.zerohedge.com](http://www.zerohedge.com)

#markets

#markets #performance

**At or below COVID March 2020 lows**

**EM currencies**

**EM bonds**

**U.S. Corporate bonds**

**U.S. Treasuries**

**U.S. Consumer Sentiment**

**U.S. Real Wages**

**Arkk ETF**

**IBD 50**

**Chinese/Hong Kong stocks**

**British Pound**

**Euro**





## #spx #upside #downside

At the peak of the Covid Bubble, the \$SPX was 40% above its 200 week moving average, making it the 3rd largest Stock Market Bubble of the last 100 years. The overshoot to the downside still awaits.

Bear Market	Max Upside Extension (% Above 200wk EMA)	Max Downside Extension (% Below 200wk EMA)
The Great Crash of 1929	49%	-72%
2000 Dot Com Bubble Bust	42%	-32%
<b>2022 Covid Bubble Bust</b>	<b>40%</b>	<b>?</b>
1937 Market Crash	40%	-30%
March 2020 Covid Crash	27%	-22%
2008 Great Financial Crisis	21%	-46%
1973 Stagflationary Bear	21%	-37%
<b>AVERAGE</b>	<b>34%</b>	<b>-40%</b>
<b>MEDIAN</b>	<b>40%</b>	<b>-35%</b>

@Marlin\_Capital

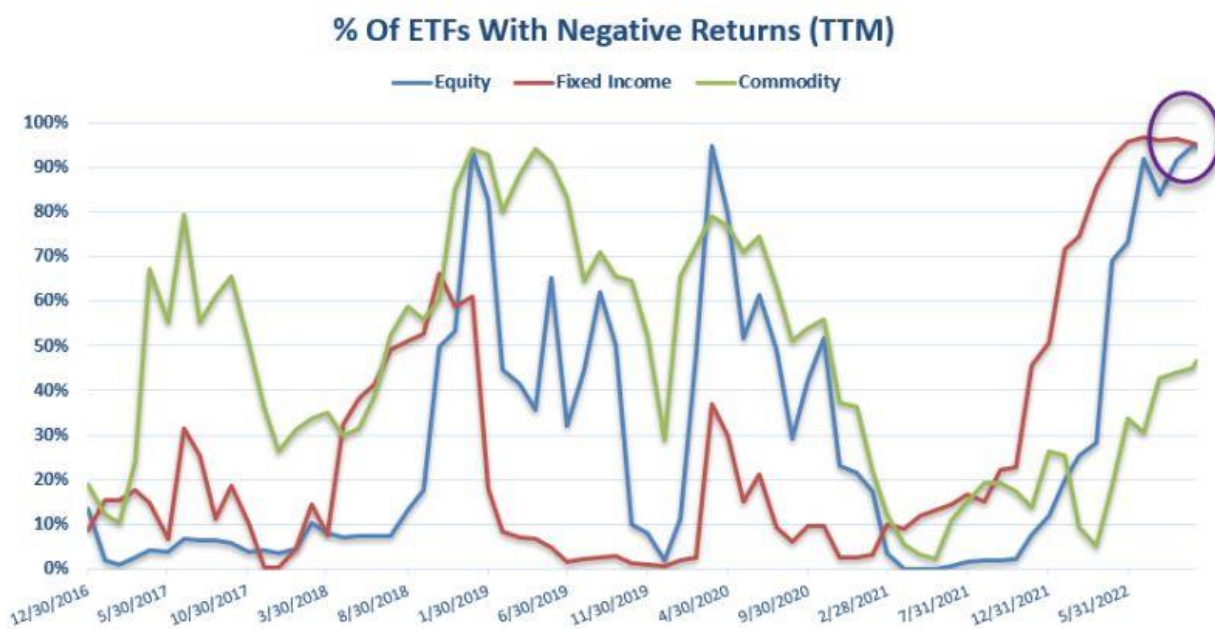
Note: NOTE: Each of the bear markets listed above were associated with a recession.

Source: marlin\_capital



## #etfs #performance

See below the percentage of ETFs with negative returns (last twelve months) by asset classes. It looks like equity has closed the gap with fixed income...



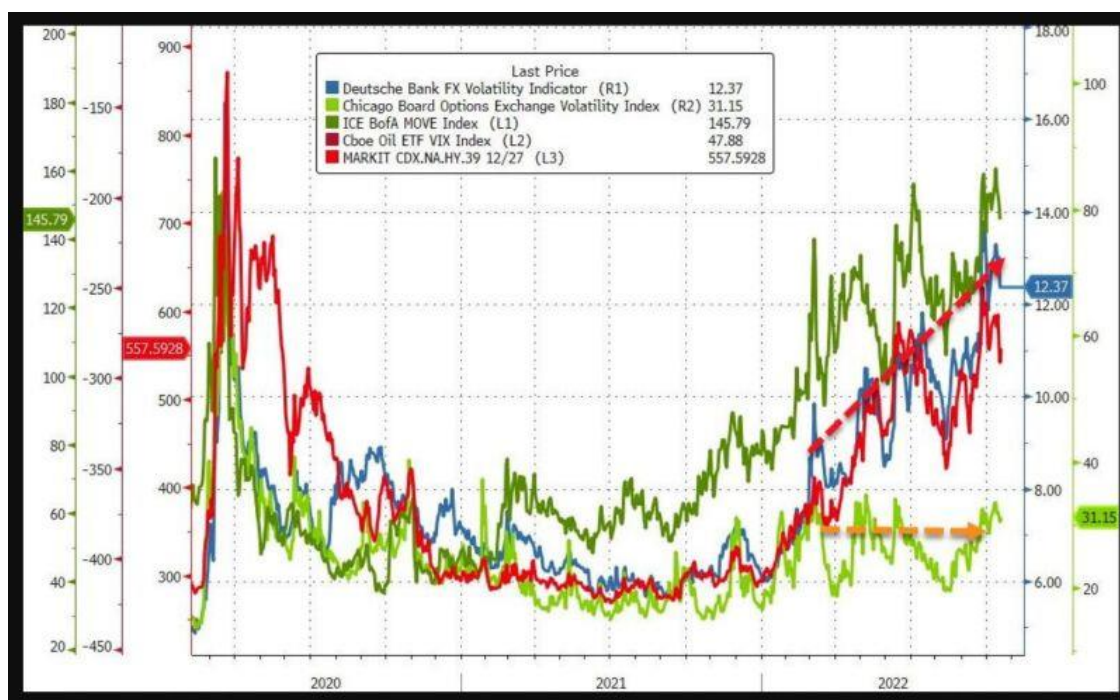
Source: Eric Balchunas

## #cross-assets #divergences

What is “Mr Market” trying to tell us something? Or is the worst yet to come for equity markets?

- 1) FX volatility has exploded
- 2) Credit spreads have exploded
- 3) Bond uncertainty ("MOVE") has exploded
- 4) ... but equity risk expectations ("VIX") remain muted...

Could this mean that equities are the least-worst place to hide in inflationary time (besides commodities and the dollar)? Or is the worst yet to come for the stock market?



Source: Bloomberg, [www.zerohedge.com](http://www.zerohedge.com)



## #fed #pivot #historical-returns

While everyone expects a Fed pivot, let's keep in mind that stocks historically crashed more when the Fed announced the pivot. QE was a more sustainable bottom.

When Fed Pivots, Stocks Crash by MORE				
Recession	Stock Crash	Fed Pivot	S&P Bottom	Pivot --> Bottom
Great Financial Crisis	-50.1%	Aug 2007	Feb 2009	18 Months
Dotcom Bubble	-38.3%	Dec 2000	Sept 2002	21 Months
Gulf War Recession	-4.4%	Jun 1989	Oct 1990	16 Months
Double Dip Recession	-16.5%	Jun 1981	Jul 1982	13 Months
1973 Recession	-41.3%	Oct 1973	Sept 1974	11 Months
1969 Recession	-18.9%	Mar 1970	Jun 1970	3 Months
<b>Average</b>	<b>-28.3%</b>			<b>14 Months</b>

\*Pivot is first month Fed Cut Rates in Economic Cycle; Stocks based on S&P 500

Source: Nick Gerli, Thomas Callum

#us #equities #valuations

Despite the 25%+ decline, the S&P 500 trades expensive vs. history on absolute and relative basis.

**Exhibit 1: S&P 500 trades expensive vs. history on absolute and relative basis**  
as of October 13, 2022

Valuation metric	Aggregate index		Median stock	
	Current	Historical %ile	Current	Historical %ile
US market cap / GDP	205 %	95 %	NA	NA %
EV / sales	2.4 x	92	3.0 x	95
Price / book	3.6 x	87	3.2 x	91
Cash flow yield (CFO)	7.3 %	80	6.4 %	96
EV / EBITDA	11.6 x	79	12.5 x	92
Cyclically adjusted P/E (CAPE)	24.1 x	78	NA	NA
Forward P/E	15.8 x	66	15.9 x	65
Free cash flow yield	4.5 %	32	4.0 %	55
<b>Median absolute metric</b>		<b>79 %</b>		<b>92 %</b>
Yield gap vs. IG	40 bp	78	36 bp	75
Yield gap vs. real 10-year UST	470 bp	76	466 bp	72
Yield gap vs. 10-year UST	231 bp	50	226 bp	46
<b>Median relative metric</b>		<b>76 %</b>		<b>74 %</b>

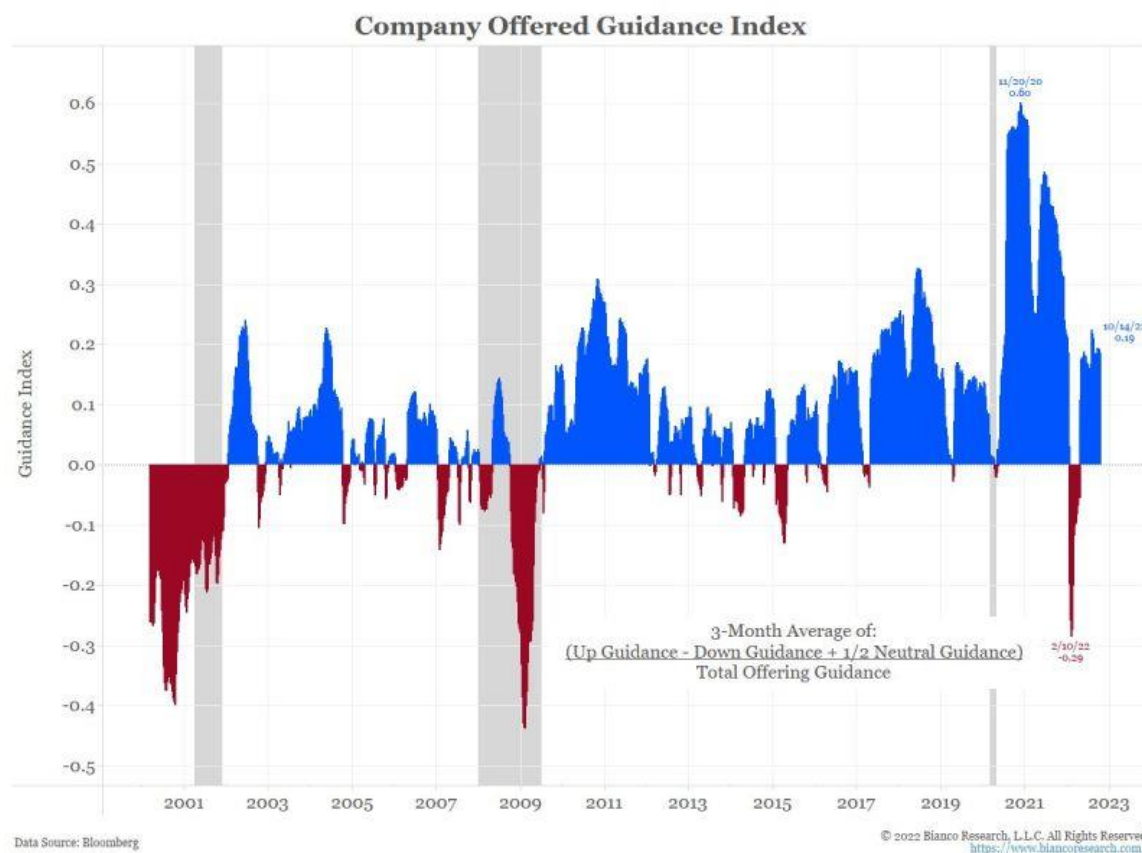
Source: FactSet, Haver, Goldman Sachs Global Investment Research

Source: Goldman Sachs, Factset



## #us #earnings #guidance

US earnings: Guidance Index from Bianco research (net % of companies raising or lowering guidance) is hovering in positive territory for now, which is mostly at odds with overall economic growth.



Source: Bianco Resarch, Liz Ann Sonders



## #us #earnings #divergence

There is a massive divergence between US Philly Fed (leading minus lagging) vs. S&P 500 operating EPS. Which one is wrong?



Source: Macrobond and Nordea

Source: Macrobond and Nordea



## #global #eps #estimates

EPS estimates in Europe continue to rise....analysts expect higher earnings than in the US & EM.



Source: Bloomberg

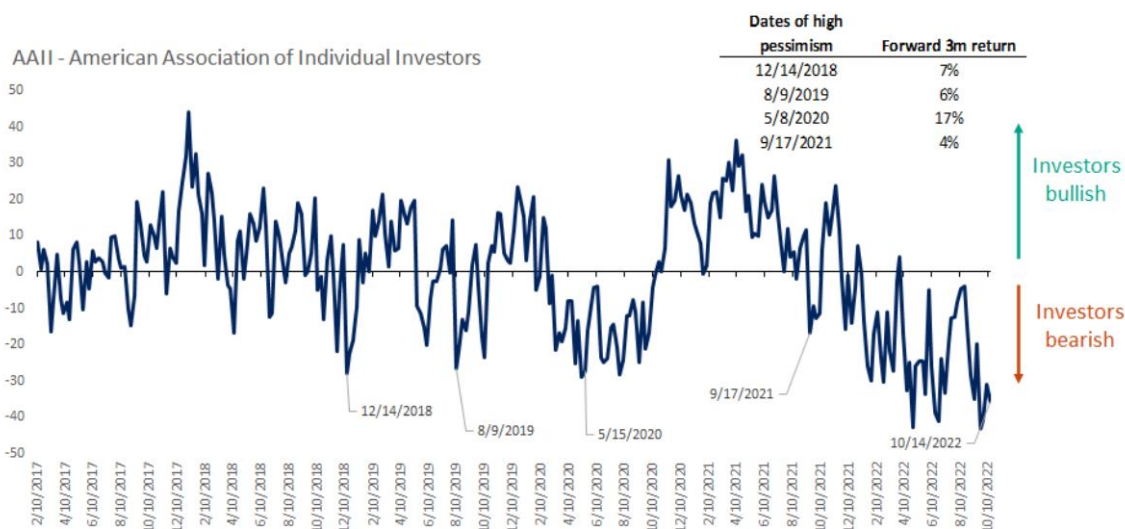




## #us #equities #sentiment #oversold

This extreme pessimism tends to be a contrarian indicator for markets and can set up markets for an oversold bounce, which is perhaps some of what we saw early last week. This chart shows the AAI investor sentiment survey and select stock market returns. Stock market returns are generally positive when sentiment is bearish and used as a contrarian indicator.

Figure 1. The AAI bull-bear sentiment ratio fell to extremely pessimistic levels earlier this month



Source: The S&P 500 is an unmanaged indicator and cannot be invested in directly. Past performance is no guarantee of future results.

Source: Edward Jones



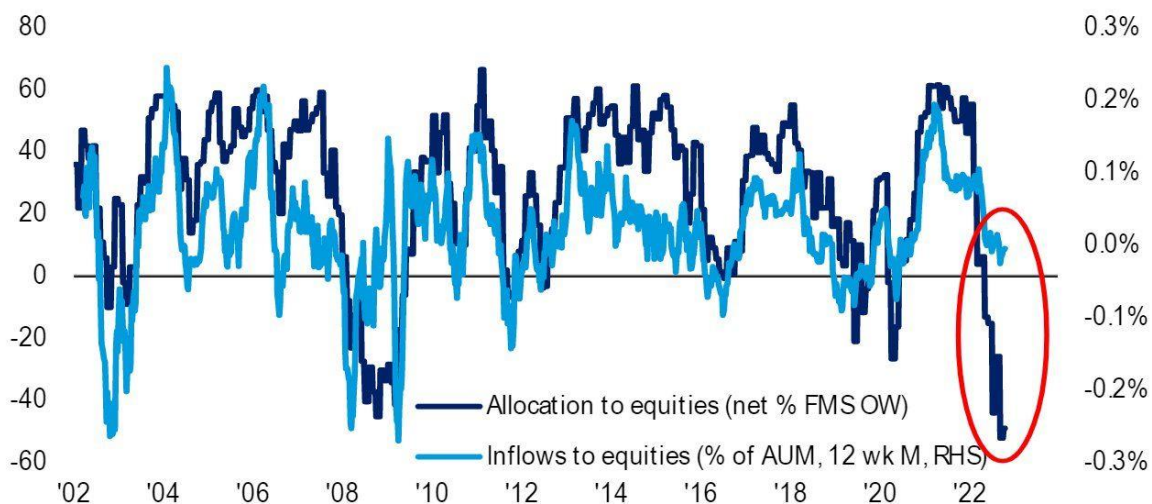


## #equities #sentiment #flows #allocation

Flows vs. Asset allocation: based on the later, we haven't seen true capitulation yet

### Chart 21: FMS investors remain very bearish equities, but no outflow capitulation yet

Net% of FMS investors overweight equities vs inflows to equities (RHS)



Source: BofA Global Fund Manager Survey, EPFR

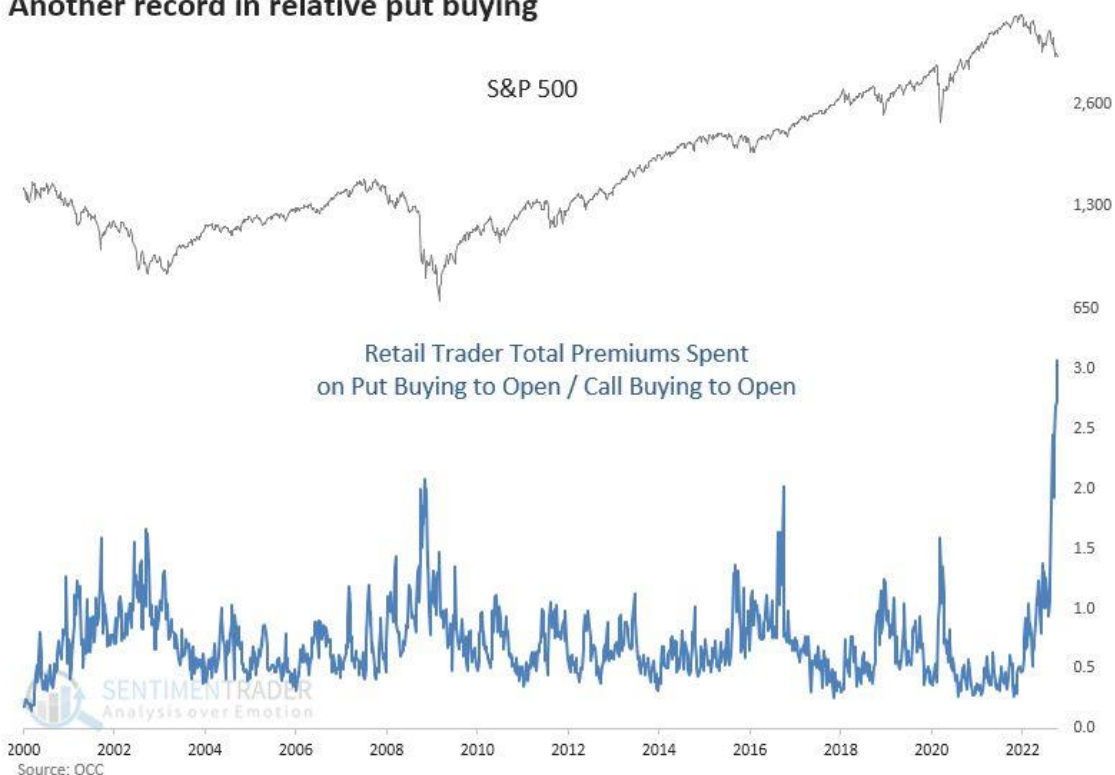
Source: BofA



## #us #equities #sentiment #puts

Among the reasons stocks soared on Monday: a massive negative delta squeeze, i.e there are too many shorts and put buying. E.g: last week, retail traders bought \$19.9 billion worth of puts to open. They bought only \$6.5 billion in calls to open. This is the FIRST TIME IN HISTORY that puts were 3x calls. Any positive news (even small one) is thus triggering short covering.

### Another record in relative put buying



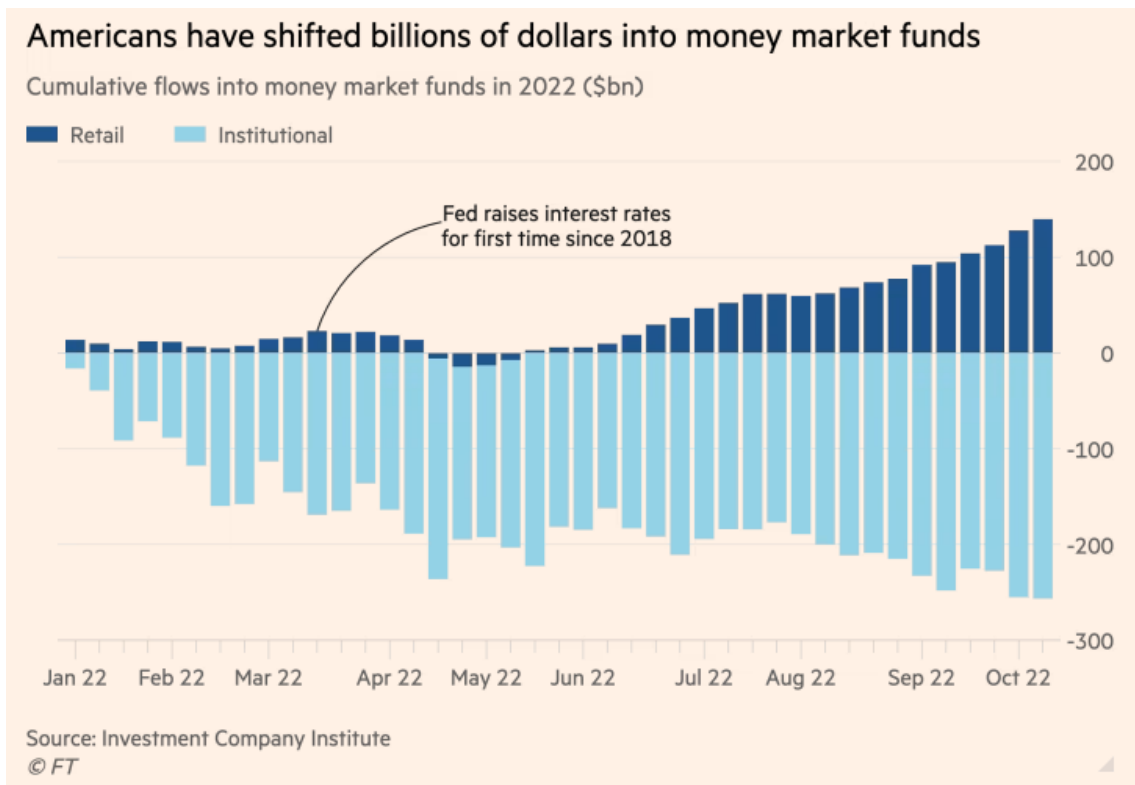
Source: www.zerohedge.com, Jason Goepfert





## #money-markets #flows

Retail investors take shelter in cash after #stock market rout



Source: FT



## #snap

Snap was the first major social media company to release its September-quarter earnings, and its stock tumbled 25% following the disappointing results after the bell. Snap warned that it would see no revenue growth in the normally busy holiday quarter. Below is a long-term chart.





## #meta

An amazing downward spiral for Facebook since the name was changed to META.



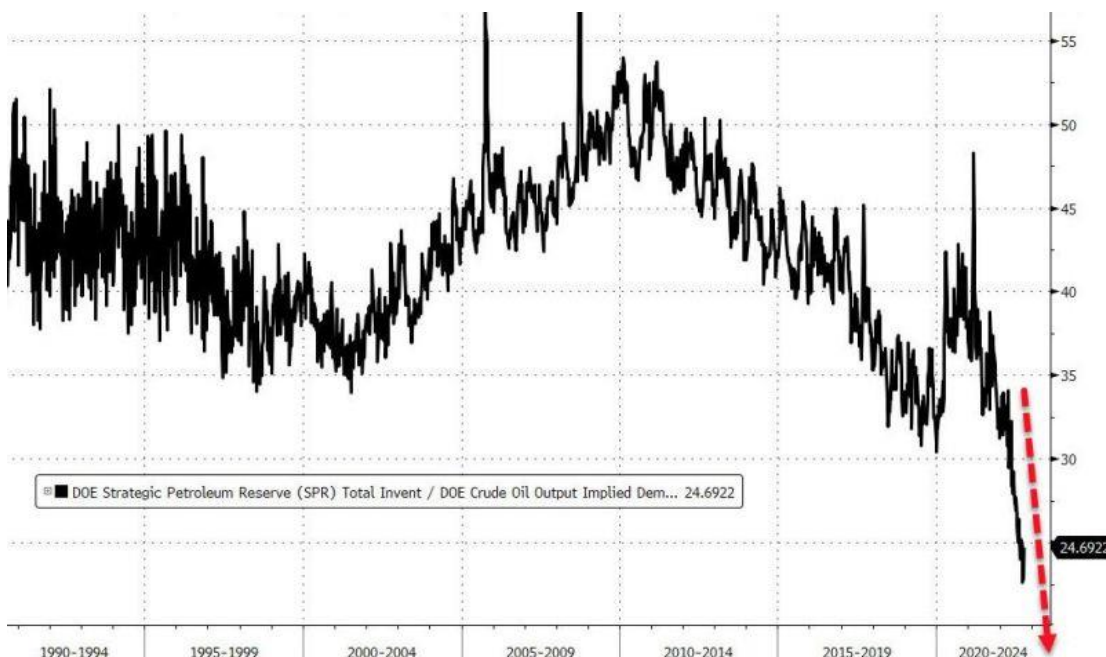
Source: YCharts

WOLFSTREET.com



## #oil #us #strategic-reserves

The Biden administration plans to release 15 million oil barrels from US Strategic Petroleum Reserves, and may consider significantly more this winter, in an effort to ease high gasoline prices. JPM crunched the numbers and came to the following conclusion: "If both emergency and congressionally-mandated SPR releases are pulled forward to 4Q22, then the ending crude oil stocks will exit the year at 348 million barrels, the lowest since July 1983". There is currently 22 days left of US demand in storage... What happens when they can't drain the strategic reserve any further? What happens when they need to fill the strategic reserve back up?



Source: Bloomberg, [www.zerohedge.com](http://www.zerohedge.com)

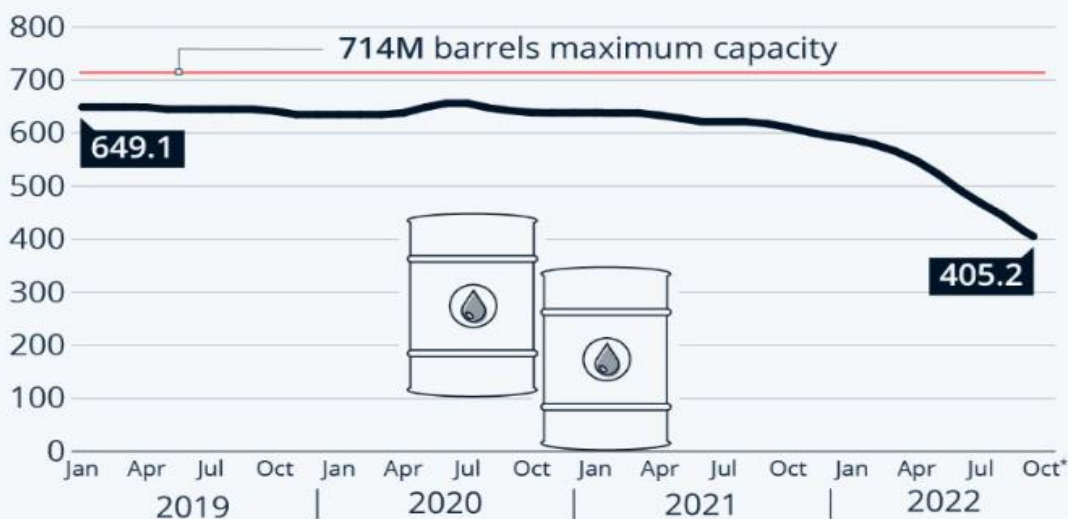


## #oil #us #strategic-reserves

According to The New York Times, the reserve will be replenished when lower oil prices around \$70 a barrel allow. As of Tuesday, a barrel of WTI crude was still trading for more than \$80.

### Releases Diminish Strategic Petroleum Reserve

Crude oil stored in the U.S. Strategic Petroleum Reserve by month (in million barrels)



\* as of mid-October

Sources: EIA, Strategic Petroleum Reserve (Department of Energy)



Source: Statista







## #negative-yielding #bonds

The rise and fall of negative yielding debt: from \$17.8 trillion of global bonds to \$1.5 trillion of Japanese securities.



Source: Bloomberg, Lisa Abramowicz

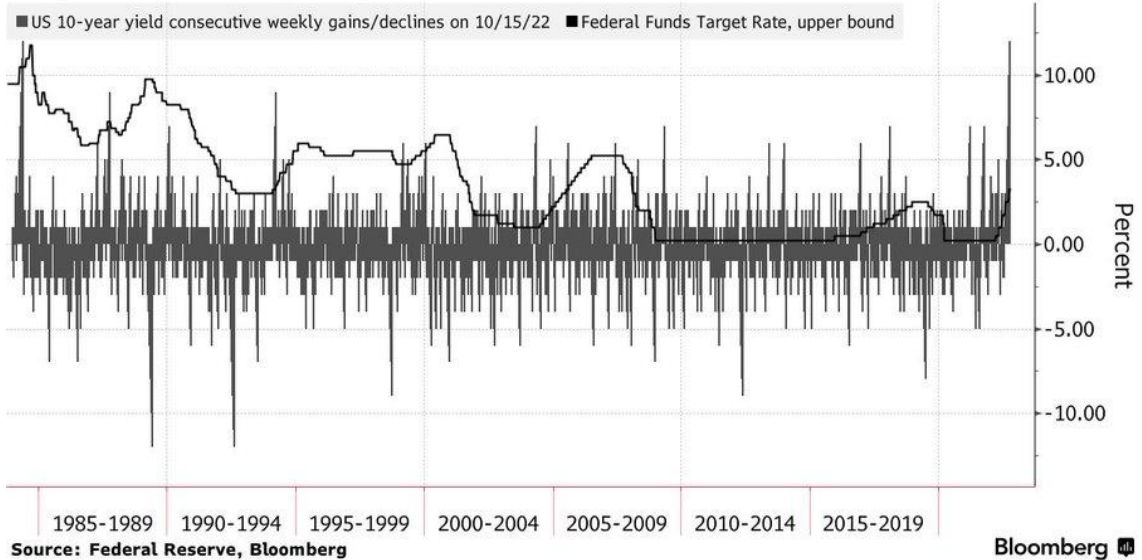


#us #treasuries #bear-market

US Treasury bond bear market is the longest since 1984.

**Pain Streak**

**Longest run of weekly 10-year yield increases since the 1980s**



Source: Bloomberg

## #GLOBALMARKETS WEEKLY WRAP-UP

Hand-curated selection of the best charts & news flow

22 OCTOBER 2022



### #us #treasuries #2y

This not a crypto chart. This is the parabolic rise of the US 2Y Treasury bond yield...



Source: Bloomberg



## #us #treasuries #volatility

Treasury volatility highest since 2008 now (end of last week). In 2008 the MOVE index peaked just before Treasuries skyrocketed. Is the VIX (stock volatility) in denial?



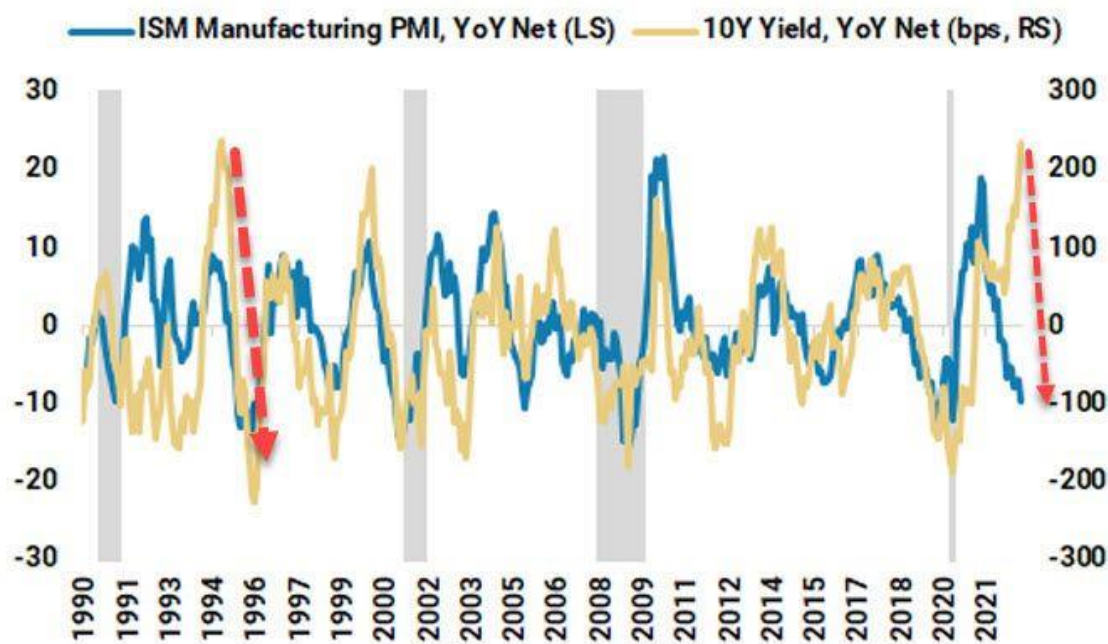
Source: Mac10



## #us #bond #yields #pmis

The last time bond yields and PMIs diverged this much was in 1994. Yields then crashed.

### Exhibit 1: UST yields diverging from PMIs



Source: Bloomberg, Morgan Stanley Research

Source: Bloomberg, Morgan Stanley





## #us #treasuries

Thanks to Friday's plunge in yields (with the short-end dramatically outperforming), 2Y yields ended the week -2bps while the long-end was up over 33bps...



Source: Bloomberg, [www.zerohedge.com](http://www.zerohedge.com)

## #us #yield-curve

Friday saw the yield curve (2s30s) steepen 20bps (the biggest daily steepening since March 2020) erasing most of the flattening (inversion) from September's CPI print plunge. On the week, the curve steepened over 30bps - its biggest steepening since January 2009...



Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg



## #us #real #rates #dollar #liquidity #squeeze

Dollar liquidity squeeze might be the real culprit for recent market rout, not inflation. This chart by Bloomberg and highlighted by HolgerZ shows that 10y US real rates have jumped to 1.69%, the highest level since GFC 2009. The bond market is thus signalling stress. A drop in real rates is probably needed for a sustainable rally in both bonds and risk assets.



Source: Bloomberg





## #us #treasuries #liquidity

Could this be THE solution to improve US treasuries liquidity and put an end to the bond bear market? According to a Bloomberg article, momentum builds for creating a Treasury Bond Buyback Program. Indeed, dealers have been asked to opine on how to structure one as Treasury yields continue to deviate from fair value amid elevated #volatility (see #chart below). Bank of America strategists predict a May 2023 rollout. The long-simmering idea that the US government should stand ready to buy back Treasury securities from investors to improve market functioning is thus moving closer to reality.

### Liquidity Tremors

Treasury yields deviate from fair value amid elevated volatility



Source: Bloomberg





## #us #credit

Credit markets are a bloodbath with LQD breaking back below \$100 - the same level it traded at in Sept 2008 when Lehman collapsed and the credit market froze. For now, HYG is trading just marginally above the March 2020 COVID lockdown lows in price (when The Fed took the unprecedented action of buying junk bonds)...



Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg



## #german #bonds

Interest rates continue to rise in Germany. The 10y Bund yields jump to 2.47%, the highest level since 2011. With a debt level of €2.34tn in Germany, interest costs are rising significantly.



Source: Bloomberg, HolgerZ



## #italy #btp

Far-right Meloni named Italy's first woman PM. President Mattarella tasked Meloni w/forming govt after holding formal talks w/all parties in parliament. Shortly after she was named PM, Meloni appointed Giancarlo Giorgetti as EconMin, who served under previous Draghi govt.



Source: Bloomberg

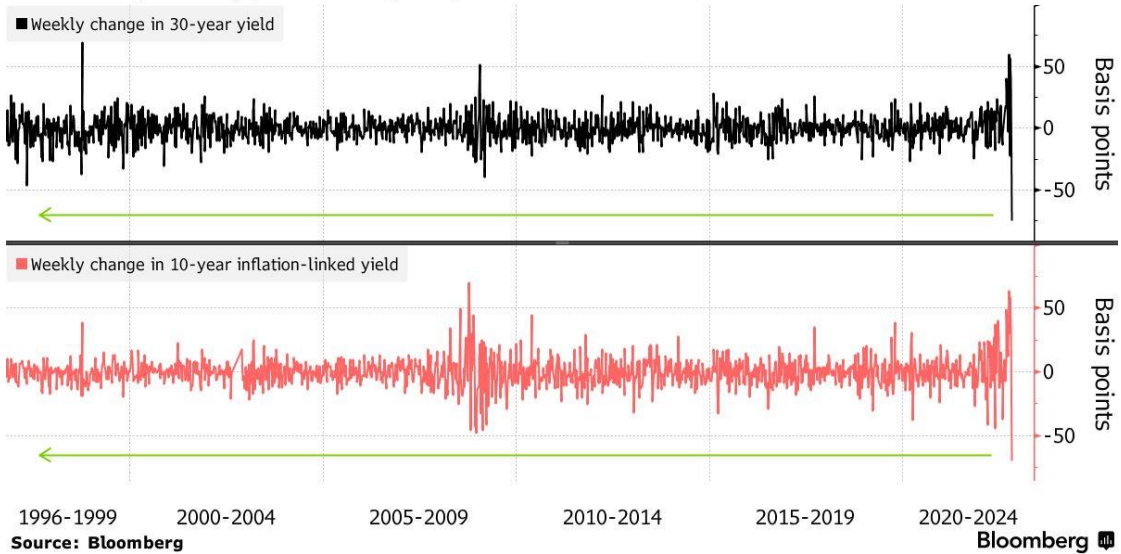


## #uk #gilts

UK bonds at heart of market turmoil had their best week on record.

### Record Rebound

Gilts hit by Truss, pension liquidity crunch are now set for best week ever

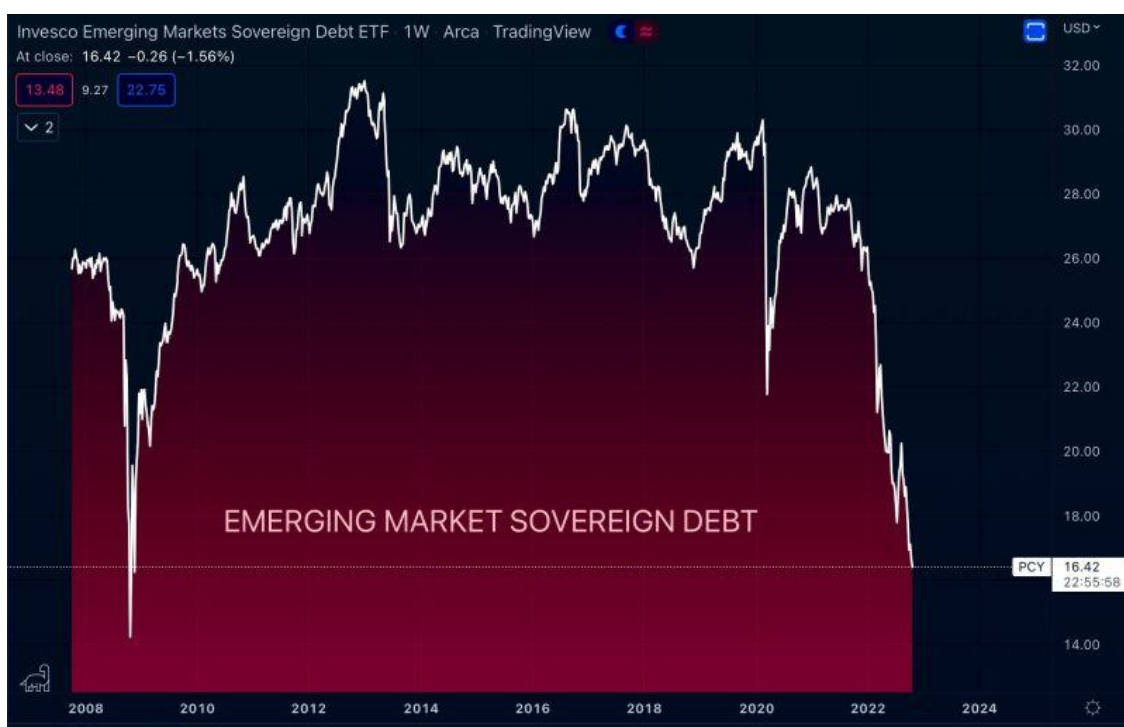


Source: Bloomberg



## #em #bonds

Emerging Markets sovereign debt are in free fall, back to GFC levels.



Source: Alessio Urban



## #yen #us-treasuries

Amazing correlation between the US 10-year bond yield and the dollar yen. The JPY is approaching the 150 magnet. For a few days the US 10 year was lagging, but that seems to be changing...

Up, up and away



Source: Refinitiv

Source: The Market Ear, Refinitiv

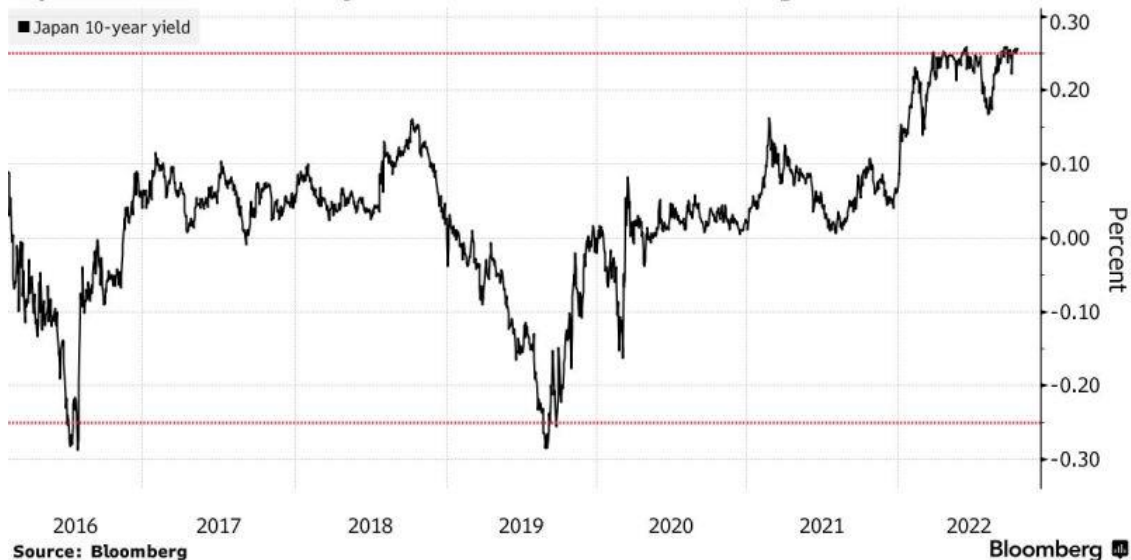


## #boj #bond-buying

BOJ announced on Thursday unscheduled bond buying as key yield broke ceiling. The move puts pressure on BOJ to defend curve-control policy. Japan's benchmark yield climbed above the central bank's policy ceiling and monetary authorities announced unscheduled bond purchases to rein it back in. The yield on the 10-year note briefly rose 0.5 basis points to 0.255% Thursday as the BOJ held the first unscheduled bond buying operation this month. Global yields have continued to march higher as traders increase their expectations for peak Fed policy rates.

### Yield Pressure

Japan's benchmark bond yields trade around tolerated range



Source: Bloomberg

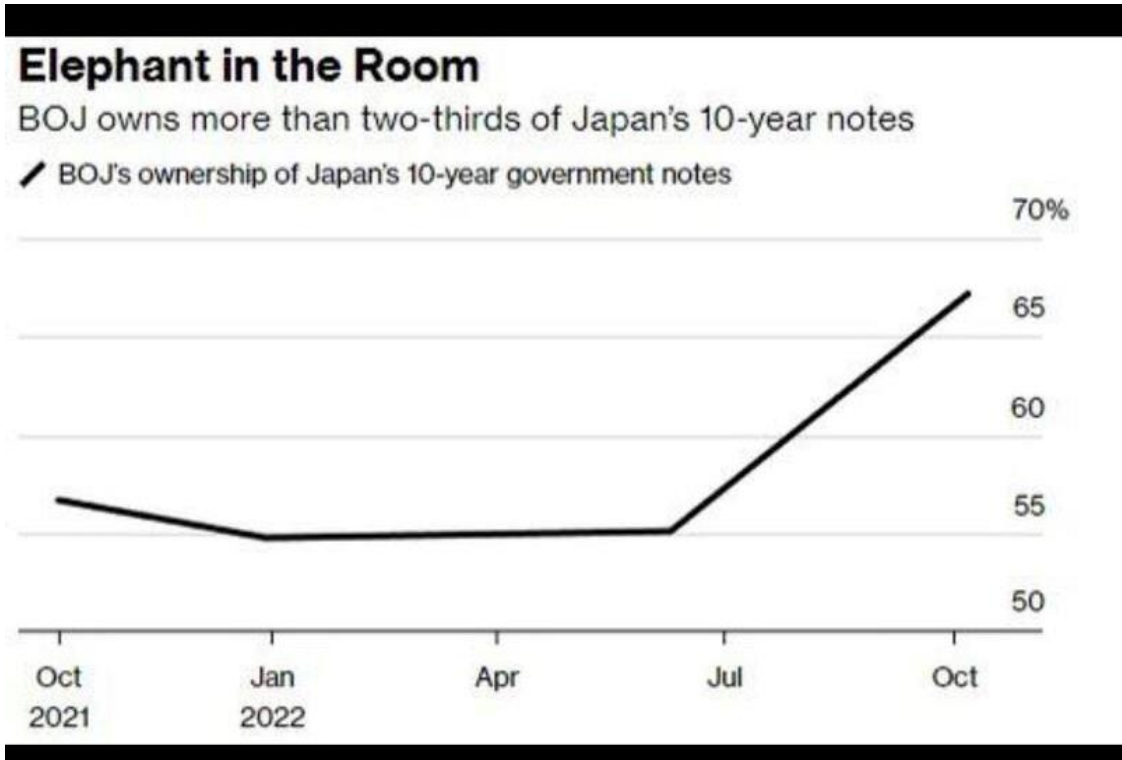






## #jgbs #boj

A glimpse into the future of other central banks? The bank of Japan (BOJ) owns 67.2% of Japan's 10 year notes. In other words, the central bank is creating 'money' to loan to the government, and the government owes money to the central bank.



Source: Wall Street Silver



## #yen

The spread between the US 10-Year Yield (4.14%) and Japanese 10-Year Yield (0.25%) moved up to a record 3.89%. The wide divergence in central bank policy (Fed hiking rates vs. BOJ maintaining negative rates) has been the primary factor driving the Yen down to 32-year lows.

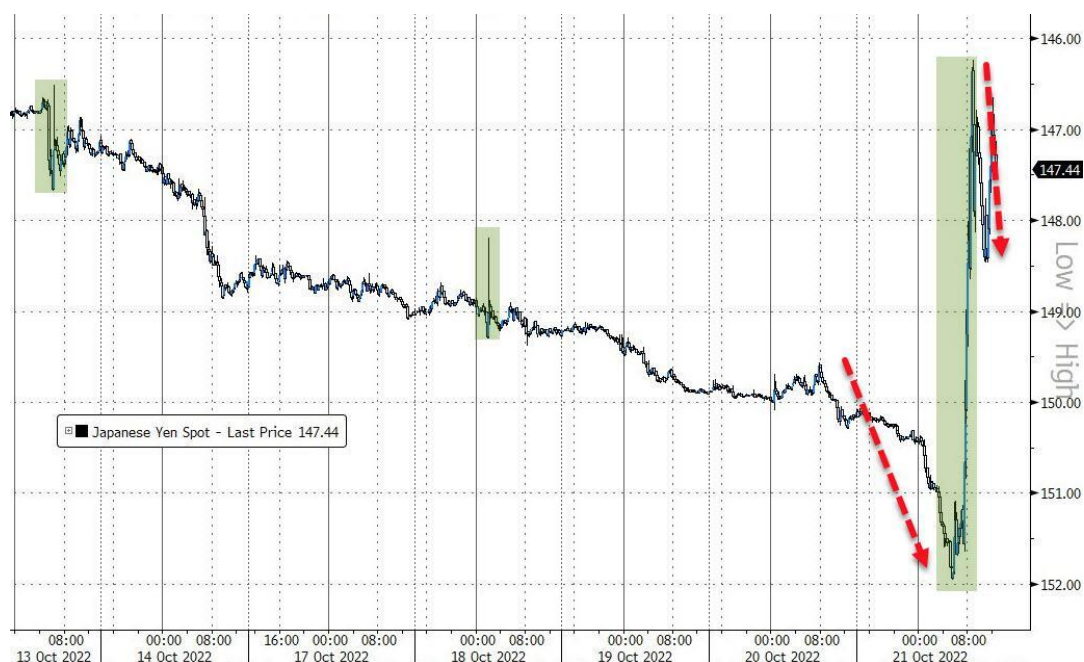


Source: Charlie Bilello



## #yen

The Bank of Japan (despite no comment) was clearly in the markets on Friday, smashing JPY almost 6 handles stronger after it crashed to 152/USD (in September the intervention sparked a 5.5 handle spike which was completely erased within 3 days)...

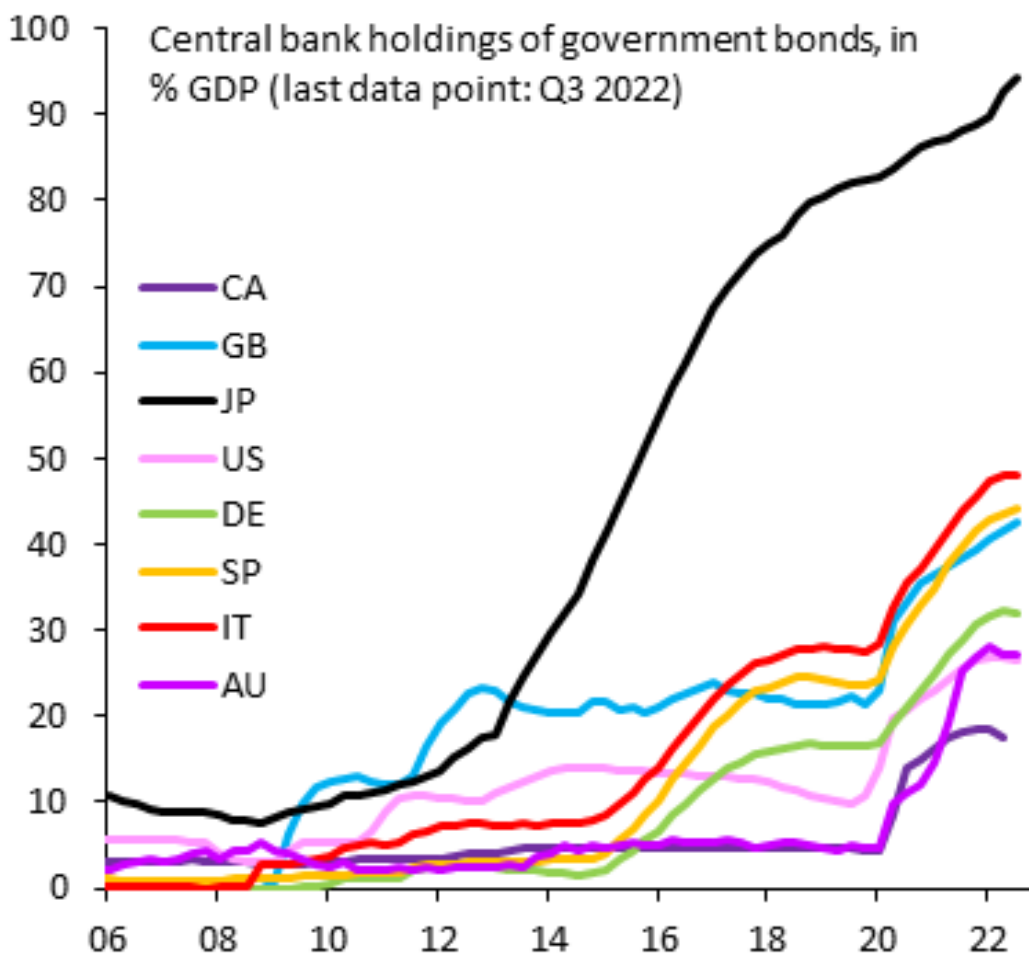


Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg



## #mmt

MMT (Modern Monetary Theory) is based on "monetary sovereignty," the idea that a central bank can always pin down yields via QE. Huge Yen devaluation and the UK bond market blow-up have debunked that.



Source: Robin Brooks



## #gold #us #tips

Many investors are complaining about gold poor performance this year, being unable to play its role of inflation protection asset. But #tips are actually doing much worse - see #chart below courtesy of Crescat capital / Tavi Costa



Source: Crescat Capital, Bloomberg





## #gold

### Gold - No Love From Real Yields

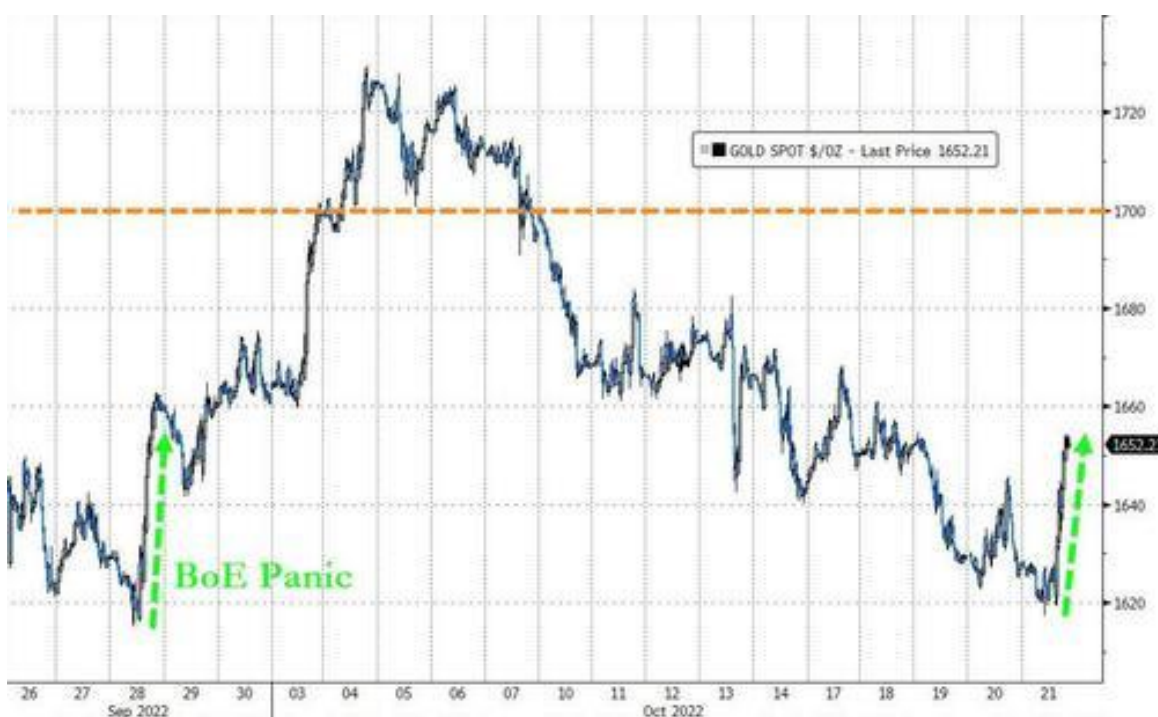


Source: tme



## #gold

On Friday, Gold saw its best day since the start of October today (finding support at Sept lows when the BoE panicked), pushing the precious metal higher on the week...



Source: Crescat Capital, Bloomberg



## #hedge-funds #performance

Within hedge funds, selection (style & managers) remains key.

### Hedge Funds by Performance

Share of funds by returns in 2022 through Sept. 22

■ Positive return   ■ 0 to 10% decline   ■ Decline of more than 10%



Source: Bloomberg

Source: Bloomberg

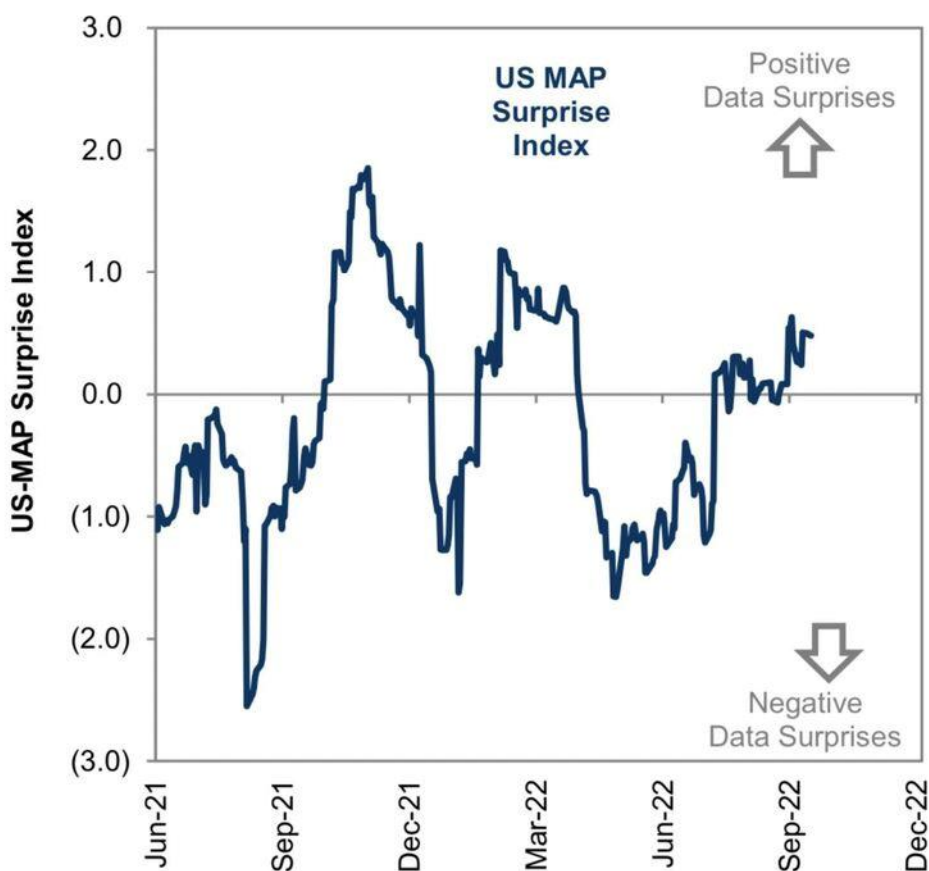




## #us #economic #surprises

US economic surprises have turned positive recently. There are some good and bad news attached to this chart. Positive: odds of a deep recession in the US seem to be going down. Negative: the #fed is not likely to pivot if economic numbers are coming out stronger than expected...

### Economic Surprise (MAP)

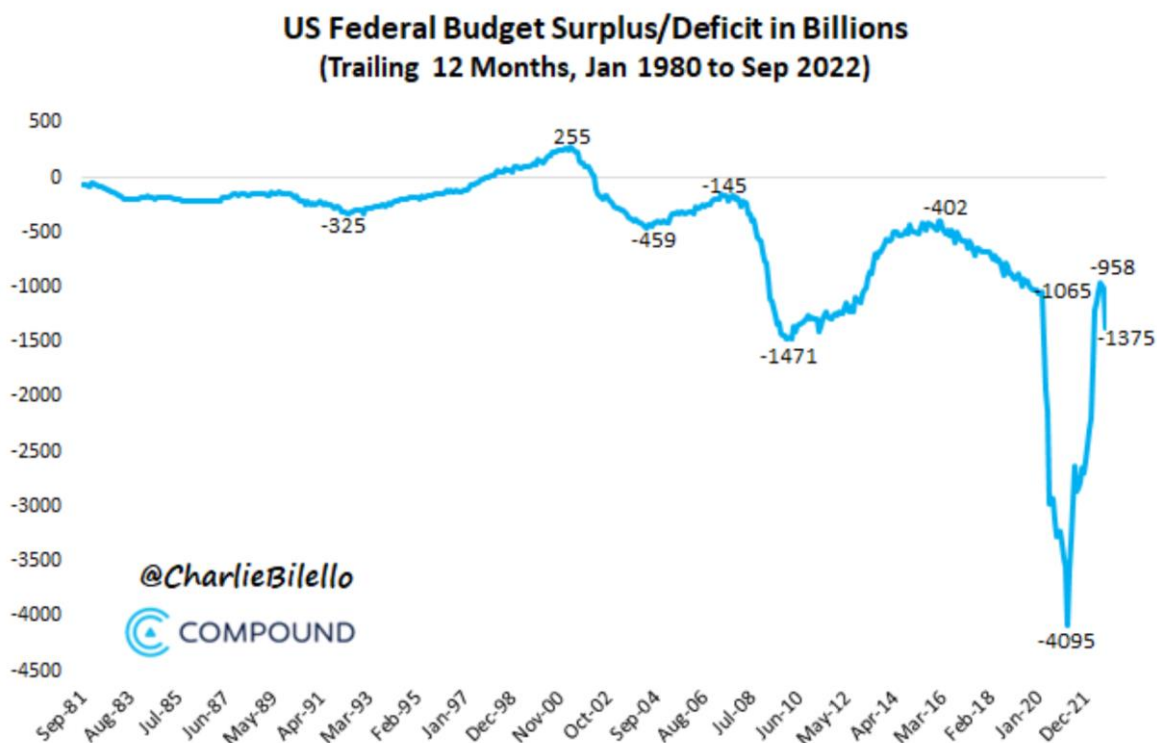


Source: Michael A. Arouet



## #us #budget

The US Budget deficit is widening again, hitting a 6-month high of \$1.375 trillion in September (YoY change).



Source: Charlie Bilello



## #us #leading-indicators

Getting close to being a sea of red for Leading Economic Indicators (LEI) trend column.

September 2022	Level	Trend
<b>Leading Economic Index (LEI)</b>	<b>Fair</b>	<b>Worsening</b>
▪ Average workweek	Weak	Worsening
▪ Unemployment claims	Strong	Stable
▪ New orders: consumer goods and materials	Fair	Stable
▪ ISM New Orders Index	Weak	Worsening
▪ New orders: nondefense capital goods excl. aircraft	Fair	Stable
▪ Building permits	Weak	Worsening
▪ S&P 500	Weak	Worsening
▪ Leading Credit Index	Fair	Worsening
▪ Interest rate spread (10-year Treasury yield minus Federal Funds rate)	Weak	Worsening
▪ Avg. consumer expectations for business conditions	Weak	Worsening
	<b>Level</b>	<b>Trend</b>
<b>Coincident Economic Index (CEI)</b>	<b>Strong</b>	<b>Improving</b>
▪ Payrolls	Strong	Stable
▪ Personal income less transfer payments	Strong	Improving
▪ Industrial production	Strong	Improving
▪ Real manufacturing and trade sales	Strong	Stable

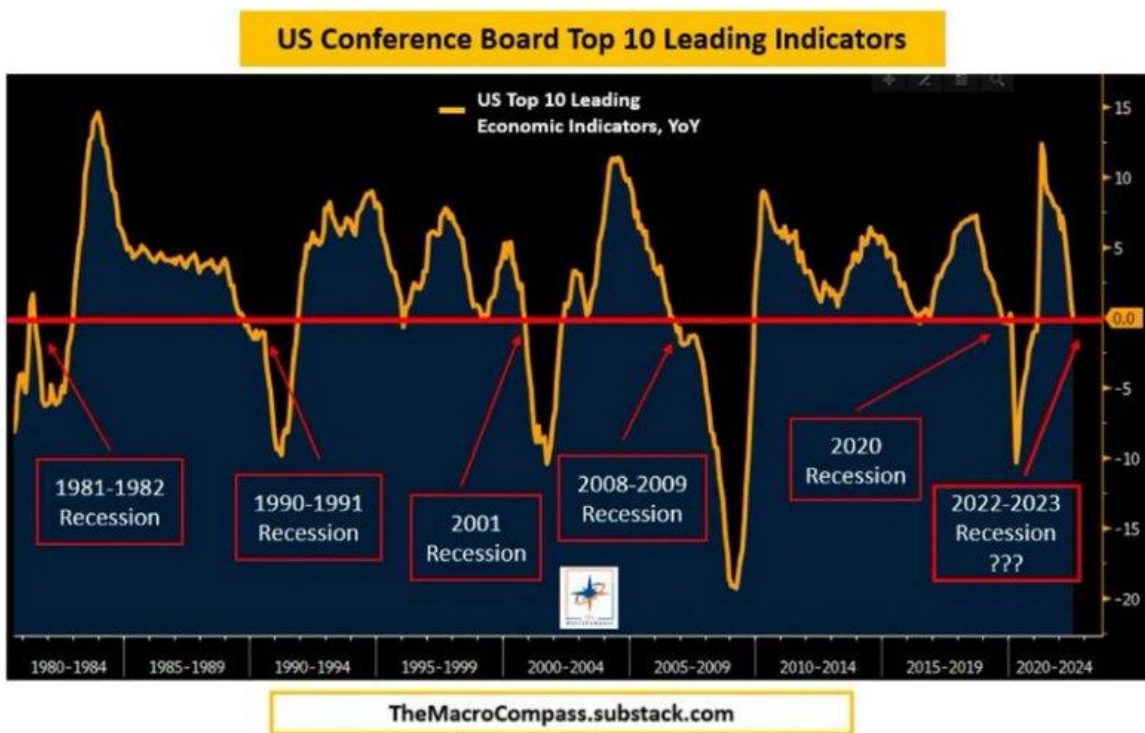
Source: Charles Schwab, Bloomberg, The Conference Board.

Source: Liz Ann Sonders

#macro

## #us #leading-indicators

The US Conference Board Leading Index takes the 10 most effective forward-leading indicators and aggregates them into an index. It just dropped to -1.4. Over the last 40+ years, every time this indicator drops < 0 and stays there for 2+ months we are in a recession. 100% hit rate...



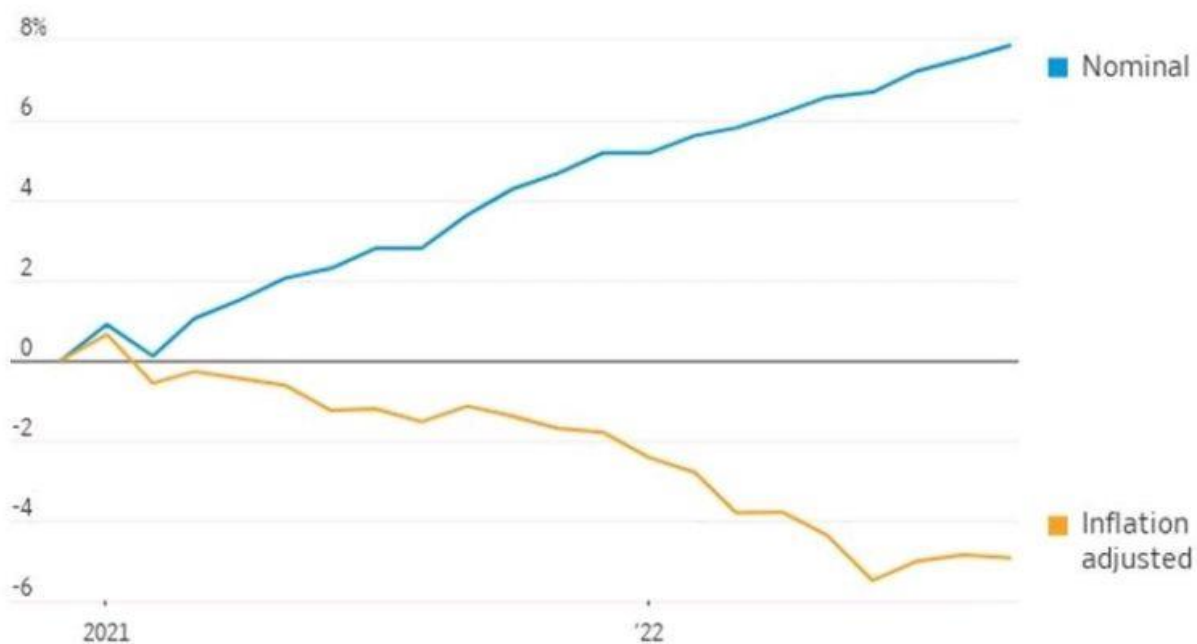
Source: MacroAlf

#macro

## #us #real #wages

How most people are becoming poorer in one chart.

### Change in average weekly earnings from the start of 2021



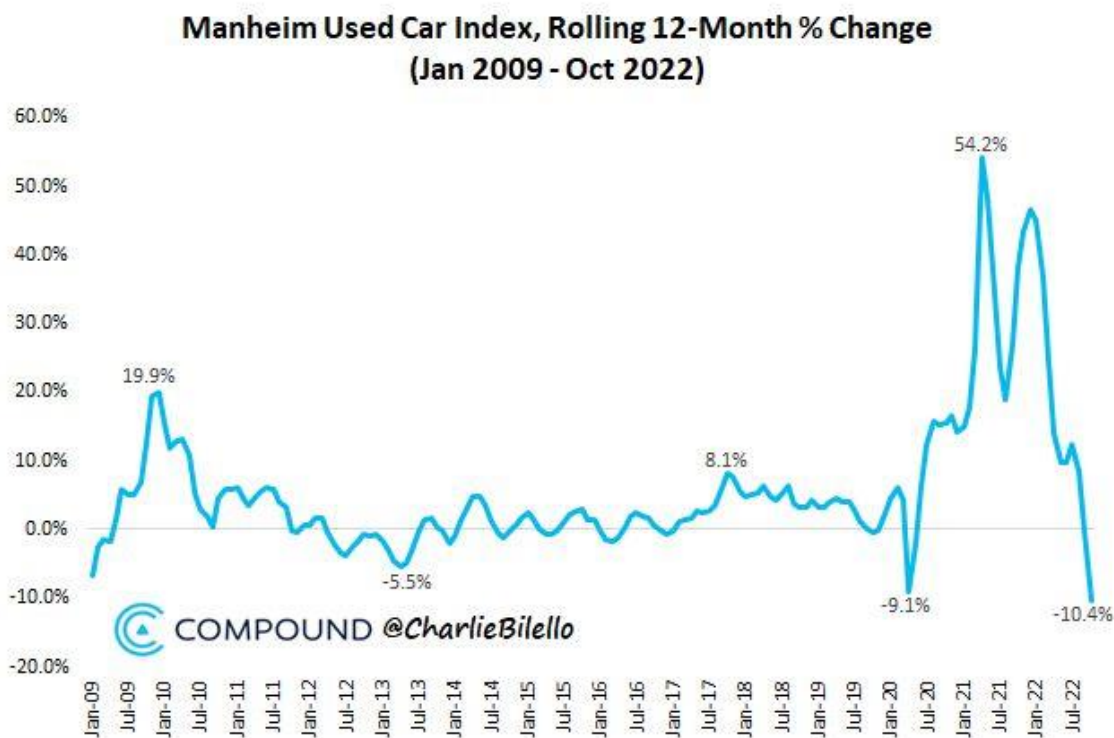
Note: Seasonally adjusted  
Source: Labor Department

Source: Michel Arouet



## #us #inflation #used-cars

Some hopes on the #us #inflation front? Used car prices are now down 10% over the past year, the largest YoY decline on record with data going back to 2009. This was a leading indicator of higher inflation rates in 2020 and the recent downturn is likely a leading indicator of lower inflation rates to come.

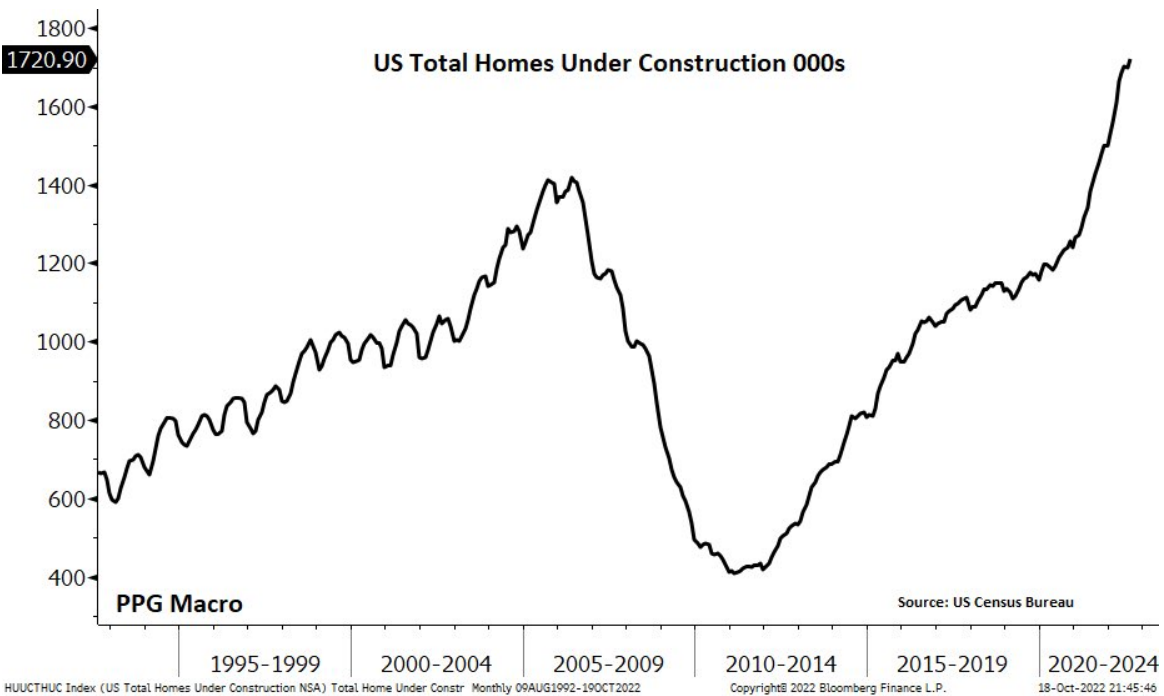


Source: Charlie Bilello



## #us #housing

While US housing demand is cratering due to 7%+ mortgage rates, at the same time there is a record number of homes under construction...



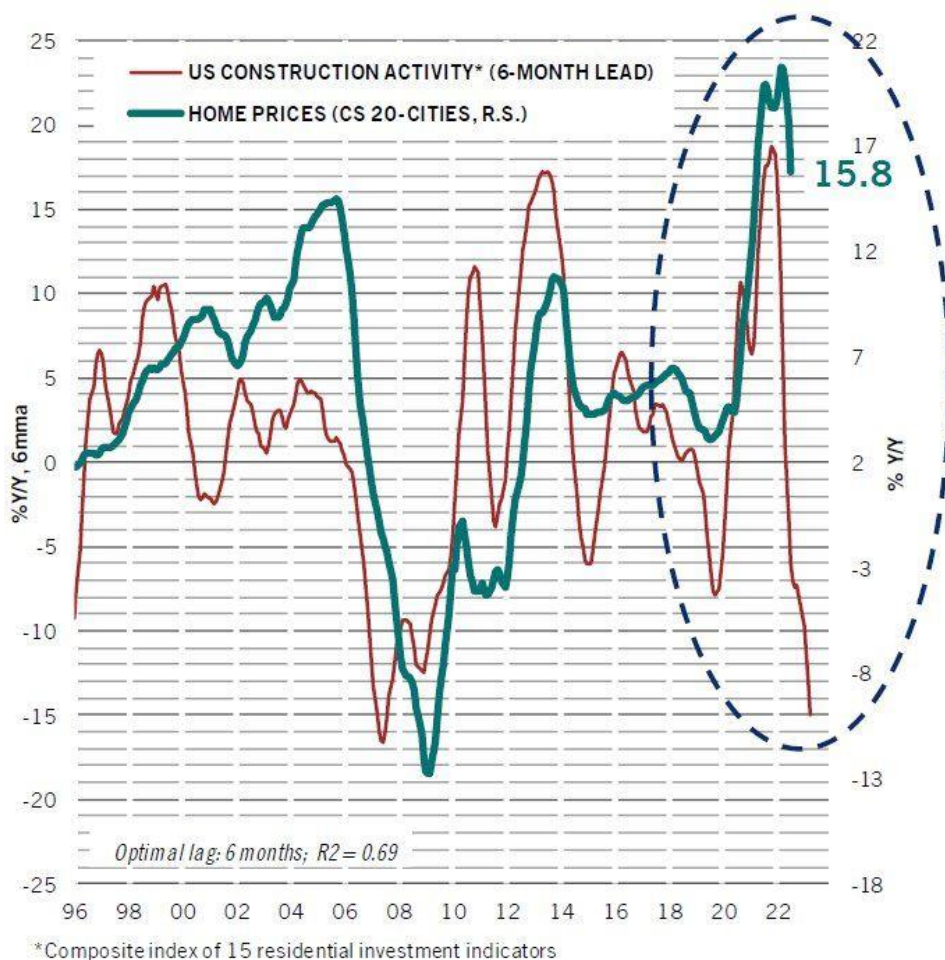
Source: PPG Macro



## #us #housing

Will US housing prices follow US construction activity (6-month lead)?

US housing activity index\* & home prices



Source: Pictet Asset Management, CEIC, Datastream

Source: Pictet Asset Management







## #us #housing

Monthly home price declines already match pace seen during worst of subprime days right before Lehman. The rate of price increases 2020-early 2022 were also unprecedented, so swift move down makes sense (especially at 7%+ mortgage rates).

US Burns Home Value Index: Monthly Percentage Change



Source: John Burns Real Estate Consulting, LLC (Data: Sep-22, Pub: Oct-22 )  
As seen in October 2022 client-only Burns Monthly Webinar

Source: John Burns



## #german #housing

German #housing prices have more than doubled over past 10 years, while rents have increased by only 15%. Is the housing bubble bursting now that interest rates are rising & #energy prices too? Source: Bloomberg, HolgerZ



Source: Bloomberg, HolgerZ



## #german #inflation

Peak inflation? Not yet in Germany! German Consumer Prices (CPI) are likely to rise further after Producer Prices (PPI) remain at 45.8% in Sep, the strongest increase since 1949.



Source: HolgerZ, Bloomberg

# #GLOBALMARKETS WEEKLY WRAP-UP

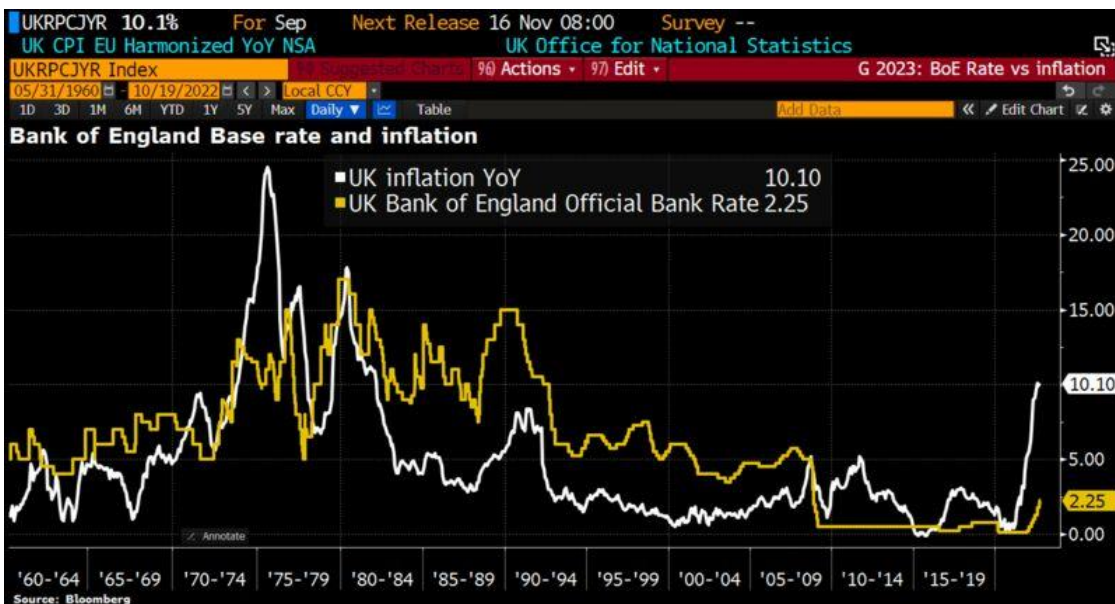
Hand-curated selection of the best charts & news flow

22 OCTOBER 2022

#macro

## #uk #inflation

UK inflation returns to double digits as #food & #energy prices soar: September CPI rose 10.1% YoY from 9.9% in August, matching a 40-year high reached in July & exceeded economists' expectations for 10%. Bank of England & government under pressure to act, as UK Base rate w/2.25% way below inflation.

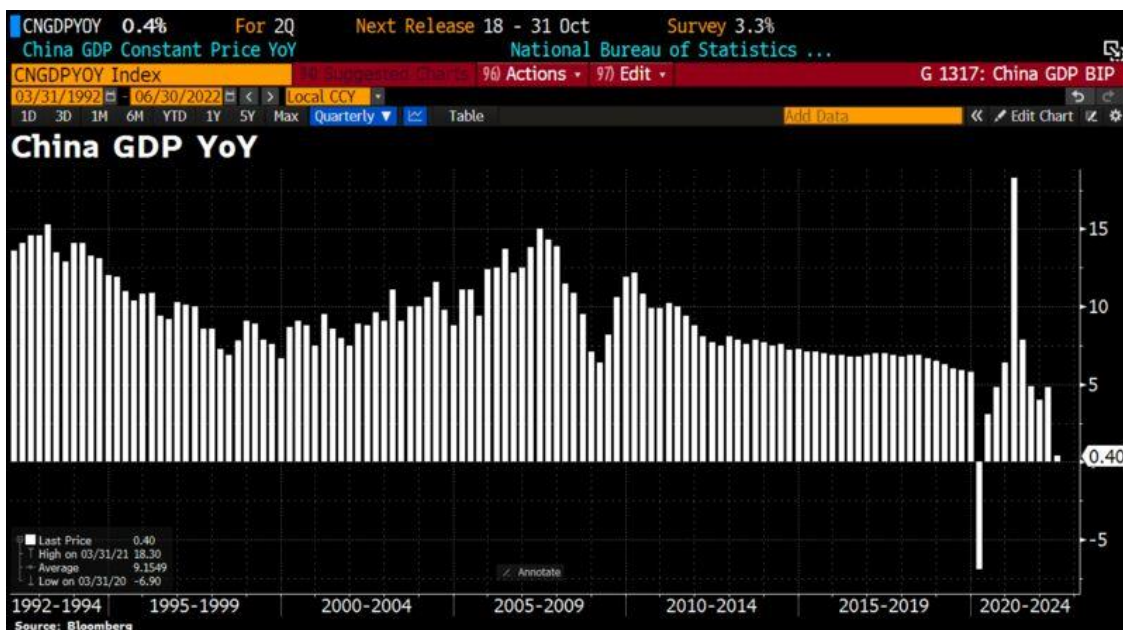


Source: Bloomberg, HolgerZ



## #china #gdp

China abruptly delayed the publication of its Q3 GDP data a day before it was set to be released, an unusual move as the country’s ruling Communist Party stages a key political gathering this week. Economists predict China’s growth will slow to 3.3% this year vs the official goal of around 5.5%, the biggest miss since the government began setting GDP targets in the early 1990s

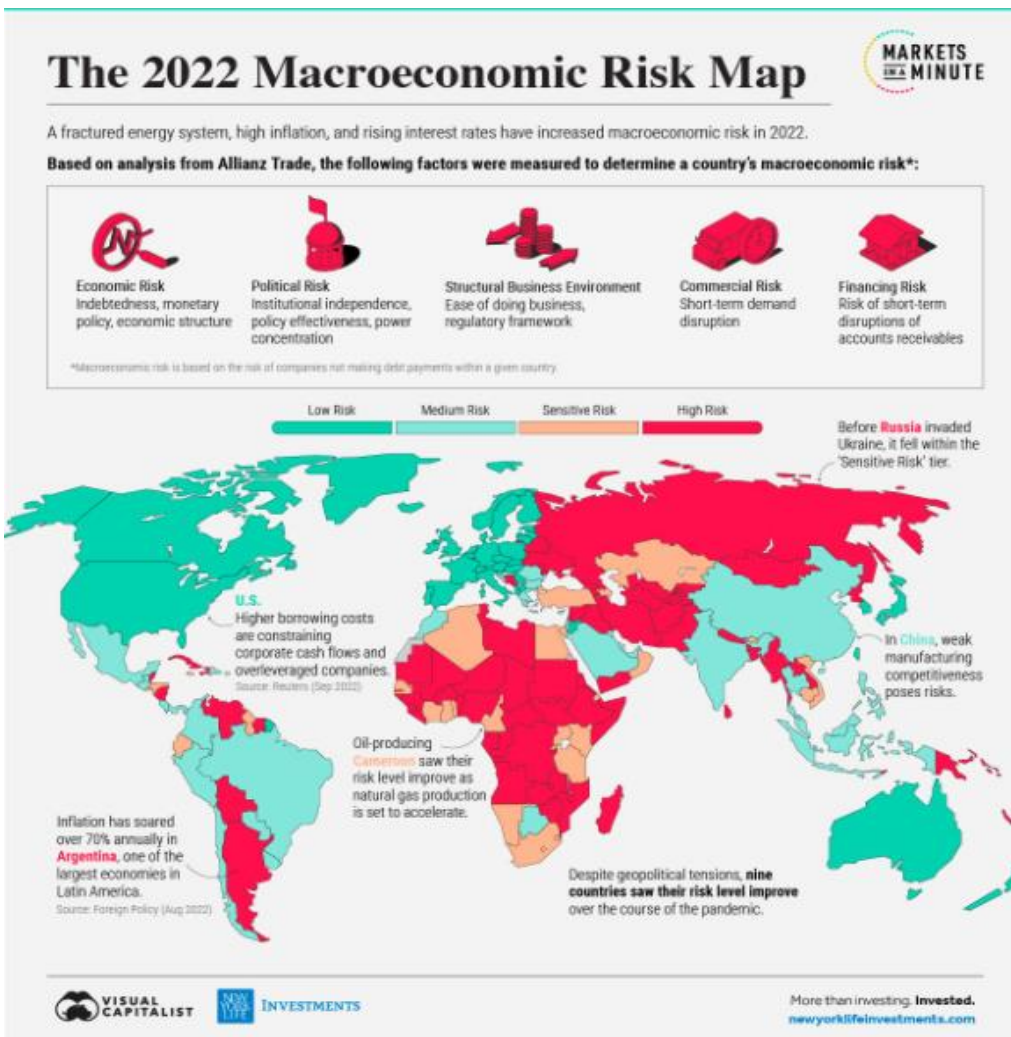


Source: Bloomberg



#macro #risk

The 2022 Macroeconomic Risk Map



Source: Allianz Trade, 'Q3 2022 Country Risk Ratings' report (Sep 2022). The country risk ratings determine the risk of non-payment of companies within a given country. Risk is evaluated on factors outside of a company's control.

Visual Capitalist is not affiliated with New York Life Insurance Company or its subsidiaries. It is not possible to invest directly in an index. Past performance is not indicative of future results. Different time periods may have different results. This material represents an assessment of the market environment as of a specific date, is subject to change, and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any particular investment.

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial professional before making an investment decision.

'New York Life Investments' is both a service mark, and the common trade name, of certain investment advisors affiliated with New York Life Insurance Company.

1956108

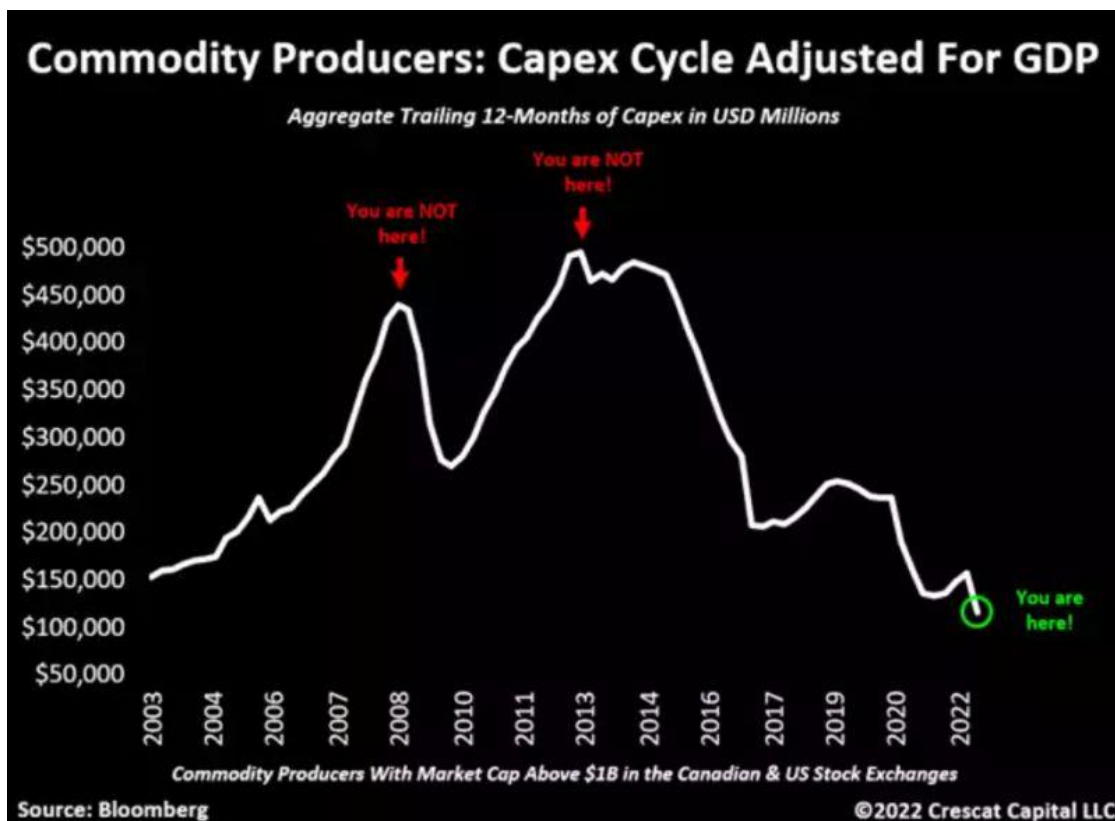


Source: visualcapitalist

#macro

## #commodities #capex

This chart by Crescat capital points out at one of the major reasons why we could see upward trend in Commodity. There has never been a time when the commodities market peaked with the CAPEX cycle at historical lows. To add to that with the Fed tightening financial conditions, the availability of capital to invest in natural resource projects is also drying up



Source: Crescat Capital

#centralbanks

## #fed #dovishness

A Wall Street Journal leak?

THE WALL STREET JOURNAL

### Fed Set to Raise Rates by 0.75 Point and Debate Size of Future Hikes

[wsj.com](https://www.wsj.com)





#centralbanks

## #fed #dovishness

On Friday Mr Daly (one of the more dovish FOMC members) built on earlier comments by WSJ Timiraos (conditioning investors for a smaller December hike)

\*DALY: LITTLE BIT OF PENT-UP TIGHTENING WORKING THROUGH ECONOMY

\*DALY: NEED TO WATCH HOW RESTRICTIVE; CAN'T OVERTIGHTEN EITHER; REQUIRES STEP DOWN INTO SMALLER INCREMENTS OF HIKES

But even she backed off from a real dovish perspective...

\*DALY: THINK HARD ABOUT STEP DOWN BUT WE'RE NOT THERE YET

Fed's Evans confirmed the 'pause' - not a 'pivot'...

\*EVANS: EXPECT FED TO RAISE RATES FURTHER, HOLD STANCE A WHILE

Fed's Bullard was his usual hawkish self:

\*BULLARD: STRONG JOB MARKET GIVES FED LEEWAY TO FIGHT INFLATION

#centralbanks

## #fed #dovishness

The result of Friday dovishness was a drop in terminal rate expectations, but a hawkish shift in subsequent rate-cut expectations (i.e. a pause after Dec/Feb is NOT a pivot)...



Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg

#centralbanks

## #fed #expectations

75bps is still a lock for November but the odds of a 75bps hike in Dec tumbled from around 70% to around 30%. (and odds of a 50bps hike in Feb dropped to 30% from 50%)...

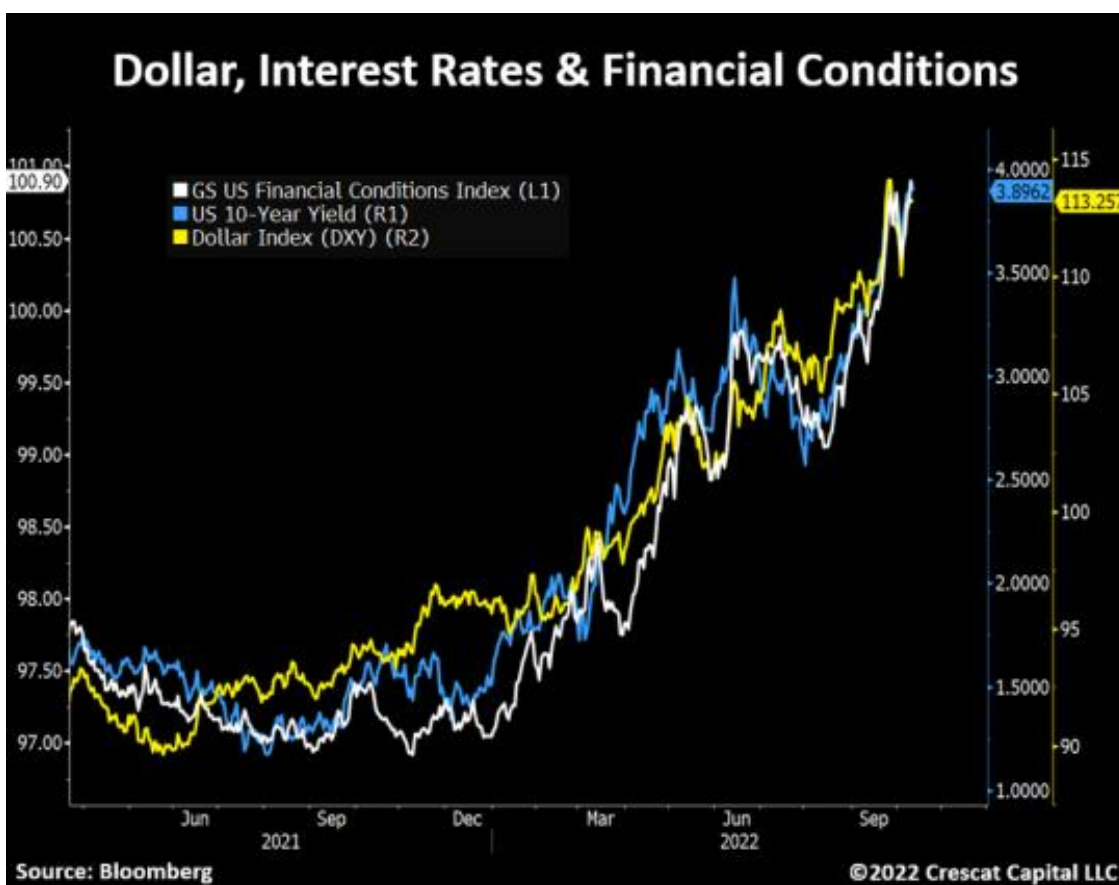


Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg

#centralbanks

## #financial-conditions

Tavi Costa: *“The painful increase in cost of debt in combination with the relentless appreciation of the dollar and tightening of monetary conditions have exposed long-standing macro imbalances. These forces are interconnected, self-reinforcing, and completely unsustainable over the long run.”*

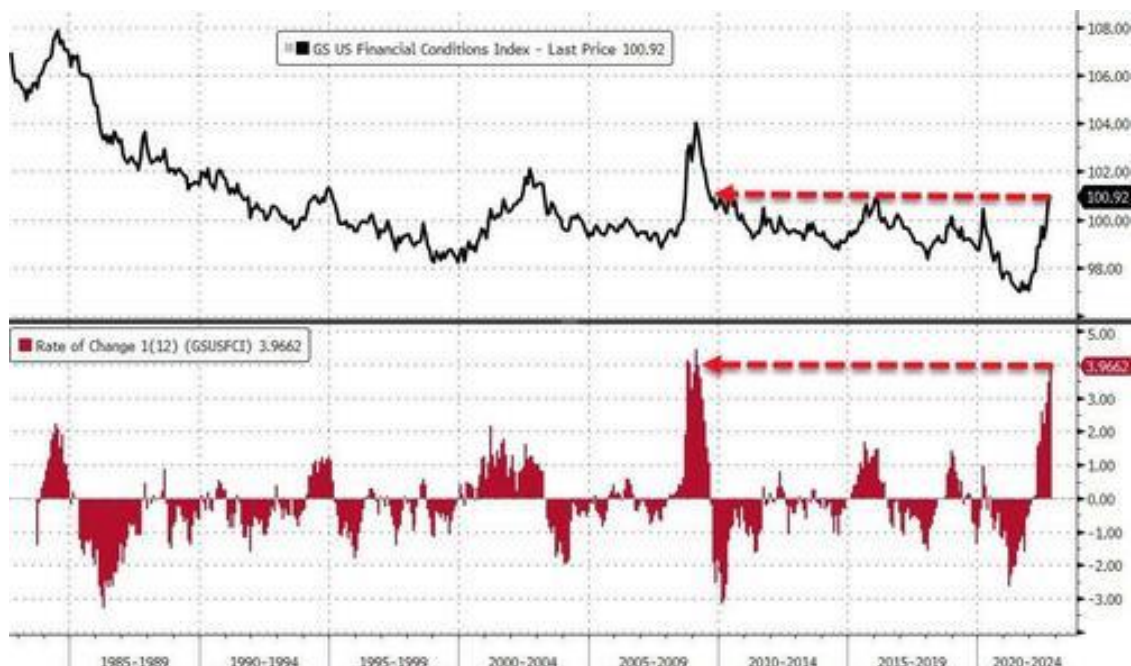


Source: Tavi Costa

#centralbanks

#financial-conditions

Has The Fed done enough damage? Financial Conditions are at their tightest (on a month-end basis) since July 2009 and the last 12 months has seen an almost unprecedented tightening of financial conditions...

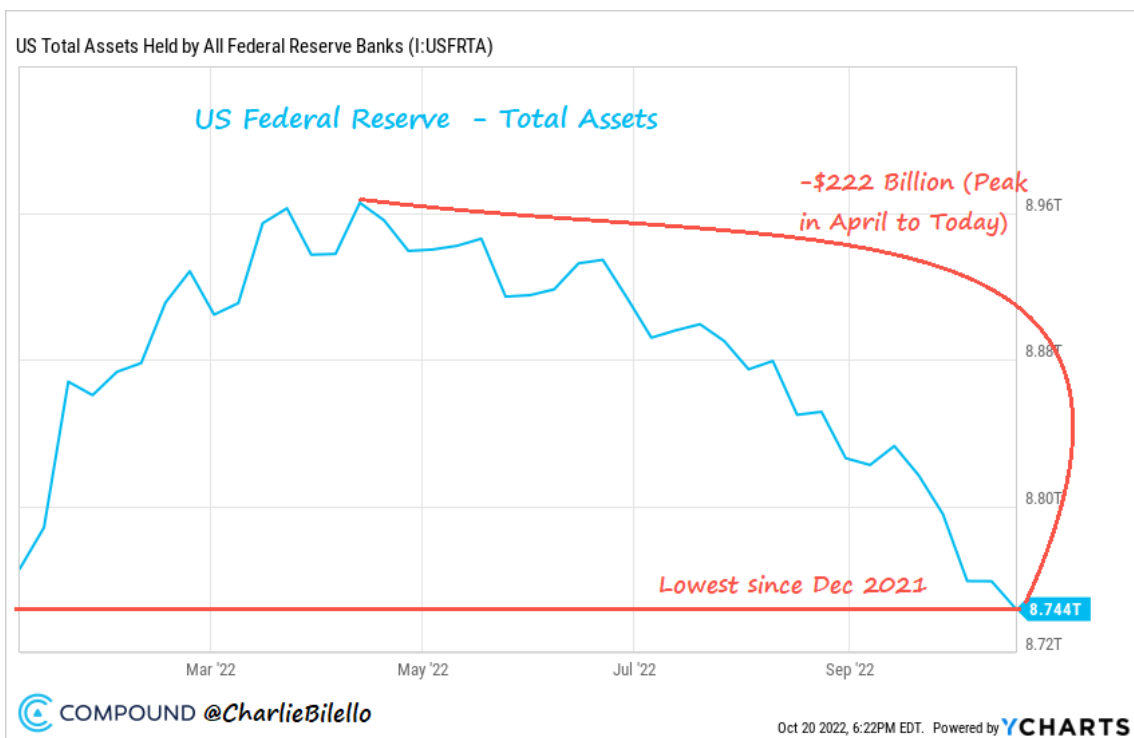


Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg

#centralbanks

#fed #qt

The Fed's balance sheet hit its lowest level of the year this week, down \$222 billion from its peak in April and \$89 billion over the last 5 weeks. This is the largest 5-week decline since July 2020. The Fed is finally starting to ramp up the pace of QT. 2022 will be the first calendar year decline in the Fed's balance sheet since 2018. It more than doubled in 2020-21 and now is down 2.5% from its high in April. At the current pace, it would take 4 years to unwind the increase from 2020-21, but few expect QT to last that long.



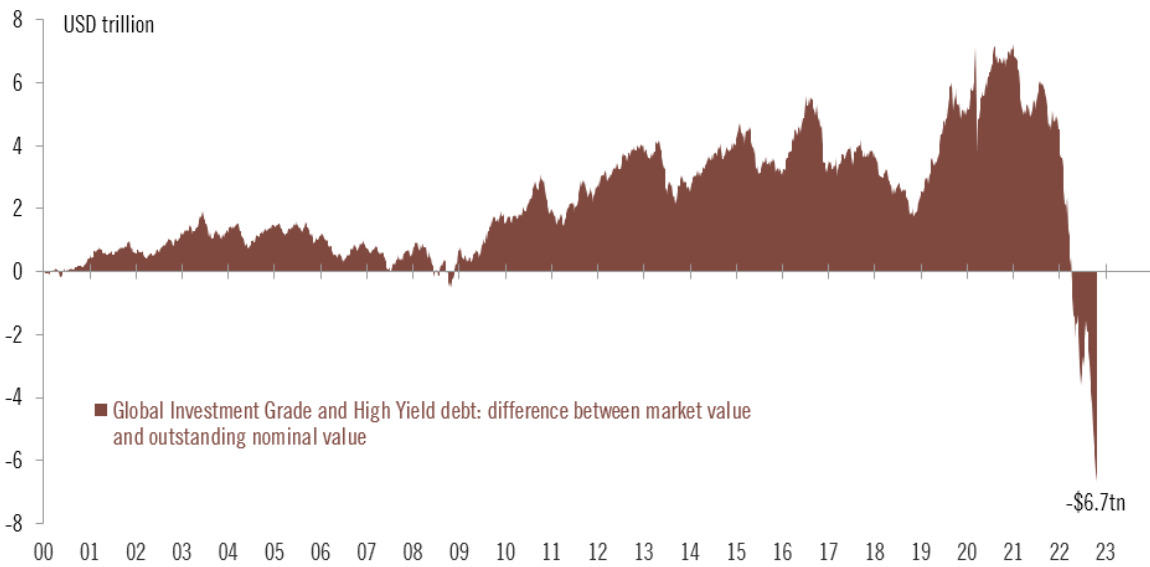
Source: Charlie Bilello



#centralbanks

#qe #losses

Central banks' QE portfolios will be deep in the red as their market value falls below nominal value (\$6.7tn 'losses' in public and corporate debt). Most central banks don't need to mark-to-market any losses but it can still have consequences, including on Treasury debt issuance.



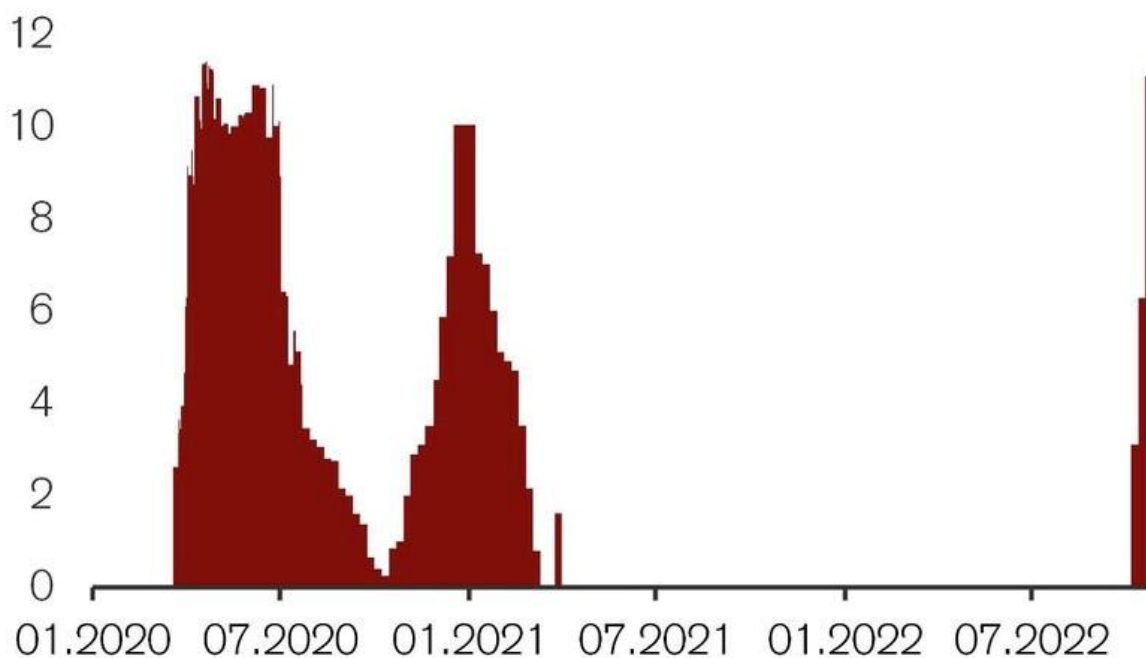
Source: Frederik Ducrozet

#centralbanks

#snb #swap #lines #dollar-shortage

Swiss National Bank (SNB) has lent \$11.1bn for one week to 17 domestic bank financed by an increase in swap lines with FED from \$6bn to \$11bn... the need for liquidity seems to be increasing...

USD lent by the SNB to domestic banks, in bn USD



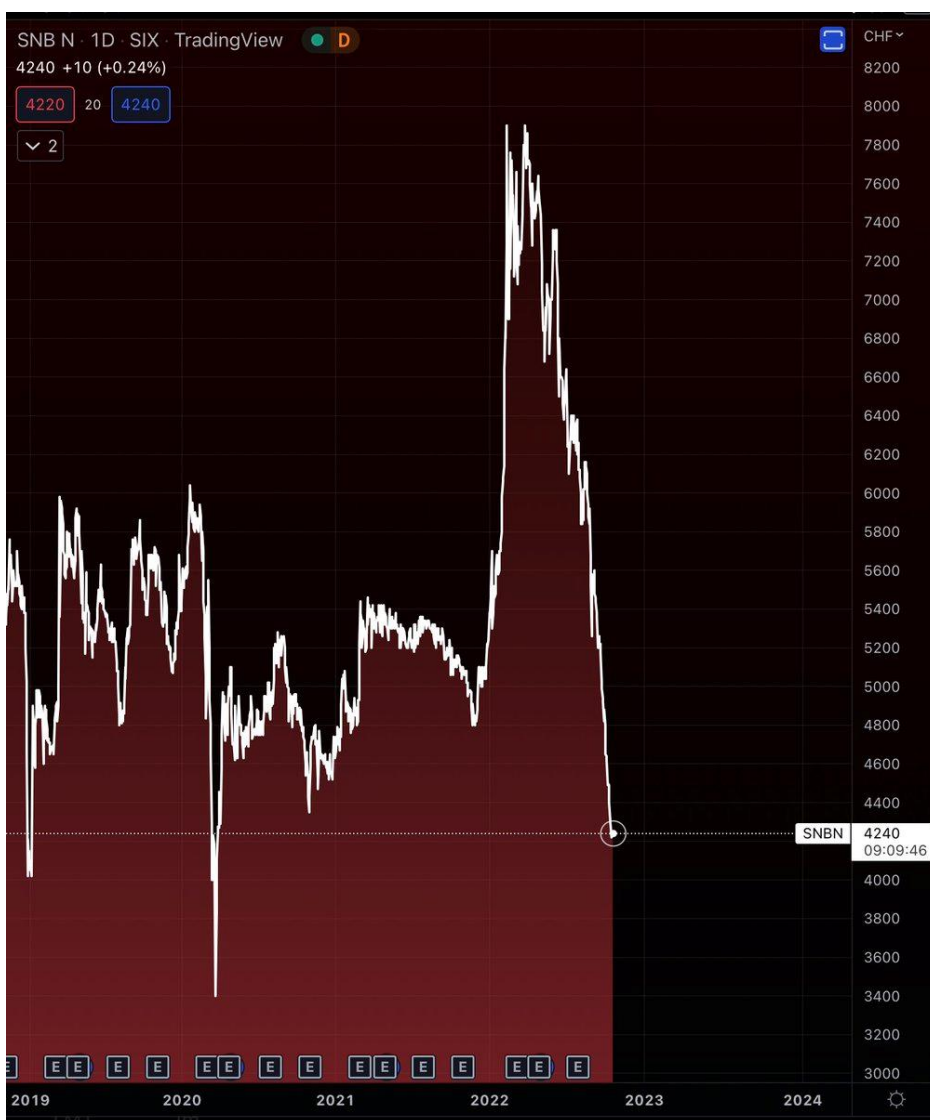
Source: SNB, Credit Suisse



#centralbanks

## #snb #stock

In case you didn't know.. the Swiss nation bank is quoted in Swiss stock market. It now trades at the lowest since 2020...



#centralbanks

#turkey #interest-rates

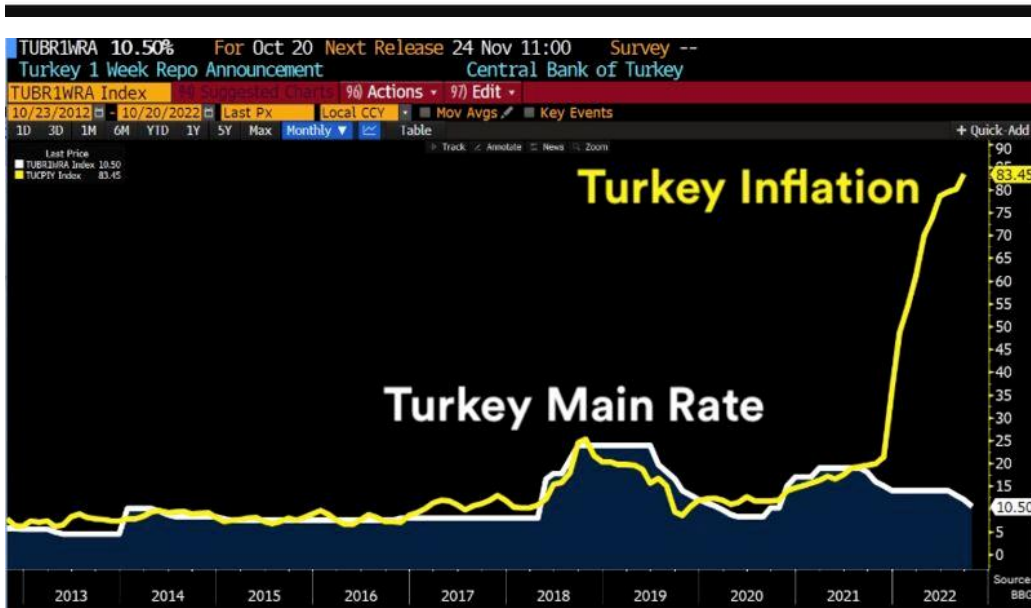


WORLD MARKETS

# Turkey slashes interest rates by 150 basis points despite inflation at 83%

PUBLISHED THU, OCT 20 2022 7:11 AM EDT

UPDATED THU, OCT 20 2022 11:00 AM EDT



Source: Bloomberg



## #GLOBALMARKETS WEEKLY WRAP-UP

Hand-curated selection of the best charts & news flow

22 OCTOBER 2022

#centralbanks

## #global #rates

Global Central Bank Policy Rates						
Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	Last Move	Last Move Month
Japan	Policy Rate Bal	-0.10%	3.0%	-3.1%	Cut	Jan-16
Switzerland	Target Rate	0.50%	3.3%	-2.8%	Hike	Sep-22
Denmark	Deposit Rate	0.65%	10.0%	-9.4%	Hike	Sep-22
Eurozone	Deposit Rate	0.75%	9.9%	-9.2%	Hike	Sep-22
Thailand	Policy Rate	1.00%	6.4%	-5.4%	Hike	Sep-22
Taiwan	Discount Rate	1.63%	2.8%	-1.1%	Hike	Sep-22
Sweden	Repo Rate	1.75%	10.8%	-9.1%	Hike	Sep-22
Norway	Deposit Rate	2.25%	6.9%	-4.7%	Hike	Sep-22
UK	Bank Rate	2.25%	10.1%	-7.9%	Hike	Sep-22
Malaysia	Policy Rate	2.50%	4.7%	-2.2%	Hike	Sep-22
Australia	Cash Rate	2.60%	6.8%	-4.2%	Hike	Oct-22
South Korea	Repo Rate	3.00%	5.6%	-2.6%	Hike	Oct-22
US	Fed Funds	3.13%	8.2%	-5.1%	Hike	Sep-22
Canada	Overnight	3.25%	6.9%	-3.7%	Hike	Sep-22
New Zealand	Cash Rate	3.50%	7.2%	-3.7%	Hike	Oct-22
Hong Kong	Base Rate	3.50%	1.9%	1.6%	Hike	Sep-22
China	Loan Prime Rate	3.65%	2.8%	0.9%	Cut	Aug-22
Saudi Arabia	Repo Rate	3.75%	3.1%	0.7%	Hike	Sep-22
Philippines	Key Policy Rate	4.25%	6.9%	-2.7%	Hike	Sep-22
Indonesia	Repo Rate	4.75%	6.0%	-1.2%	Hike	Oct-22
India	Repo Rate	5.90%	7.4%	-1.5%	Hike	Sep-22
South Africa	Repo Rate	6.25%	7.5%	-1.3%	Hike	Sep-22
Poland	Repo Rate	6.75%	17.2%	-10.5%	Hike	Sep-22
Peru	Policy Rate	7.00%	8.5%	-1.5%	Hike	Oct-22
Czech Republic	Repo Rate	7.00%	18.0%	-11.0%	Hike	Jun-22
Russia	Key Policy Rate	7.50%	13.7%	-6.2%	Cut	Sep-22
Mexico	Overnight Rate	9.25%	8.7%	0.6%	Hike	Sep-22
Colombia	Repo Rate	10.00%	11.4%	-1.4%	Hike	Sep-22
Turkey	Repo Rate	10.50%	83.5%	-73.0%	Cut	Oct-22
Chile	Base Rate	11.25%	13.7%	-2.5%	Hike	Oct-22
Brazil	Target Rate	13.75%	7.2%	6.6%	Hike	Aug-22
Argentina	Benchmark Rate	75.00%	82.9%	-7.9%	Hike	Sep-22

COMPOUND

@CharlieBilello

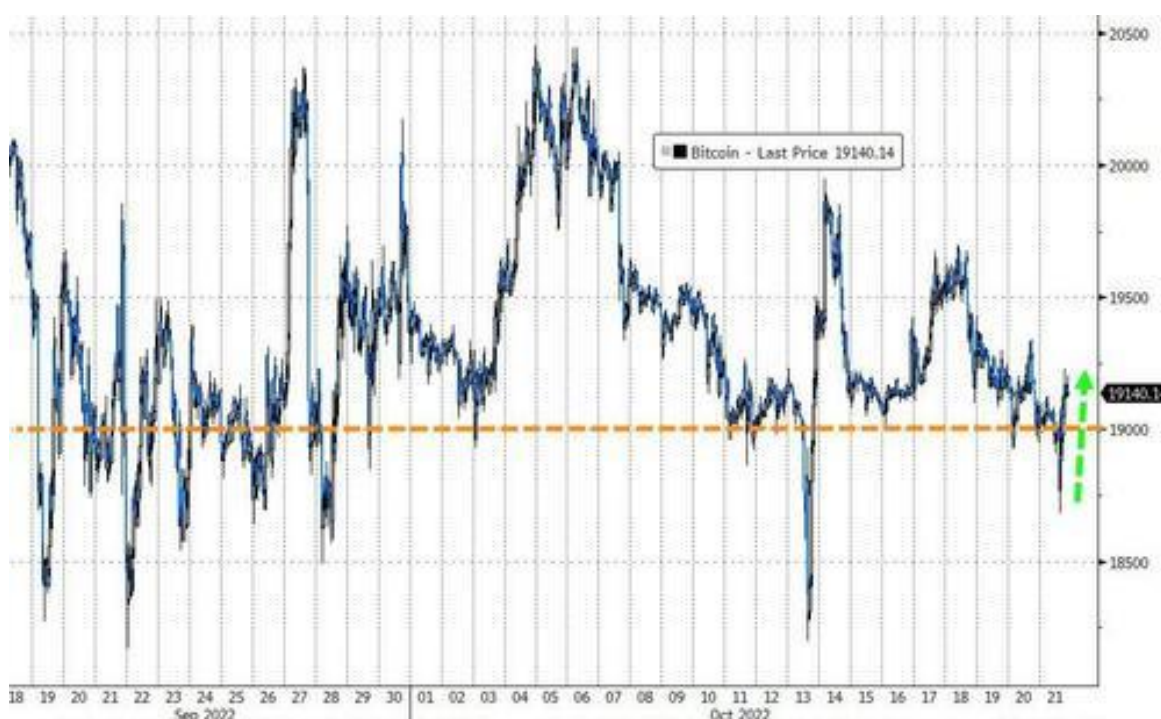


Source: Charlie Bilello



## #bitcoin

Bitcoin puked back below \$19000 this morning then ripped back above it on the dollar drop, dovish-ish Fed Speak. \$19,000 seems like a key level now for over a month...

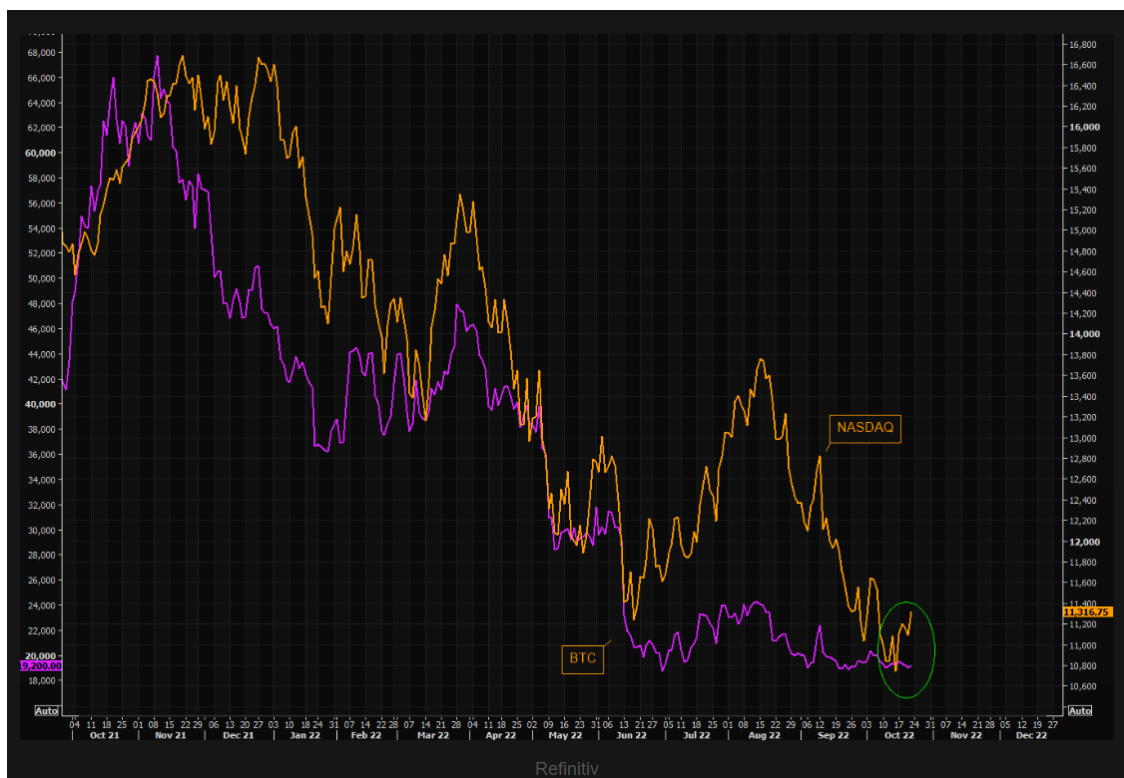


Source: [www.zerohedge.com](http://www.zerohedge.com), Bloomberg



## #cryptos #nasdaq #divergence

### Bitcoin as a cheap upside hedge?



Source: TME



## #crypto-adoption

Tether announced Thursday that it plans to make its USDT cryptocurrency—the world’s dominant stablecoin by market capitalization—available at over 24,000 ATMs across Brazil.

### Tether USDT Will Be Available From 24,000 ATMs Across Brazil

The partnership with Brazilian payments company SmartPay launches November 3.

By [Sander Lutz](#)

📅 Oct 21, 2022  
🕒 3 min read



Source: Decrypt



## #binance

United States crypto exchange Binance US has created a new “investigations unit” and tapped a former FBI special agent as its new head, with the aim of seeking out and stopping illegal activity on its platform.

### Binance US taps ‘most feared man on Wall Street’ for new investigations unit

Former FBI special agent BJ Kang has been onboarded with Binance US to steer a new investigative unit aimed at finding and stopping illegal activity.



Source: [www.cointelegraph.com](http://www.cointelegraph.com)



## #bitcoin #equities #correlation

Bitcoin's correlation with Equities is beginning to break down.

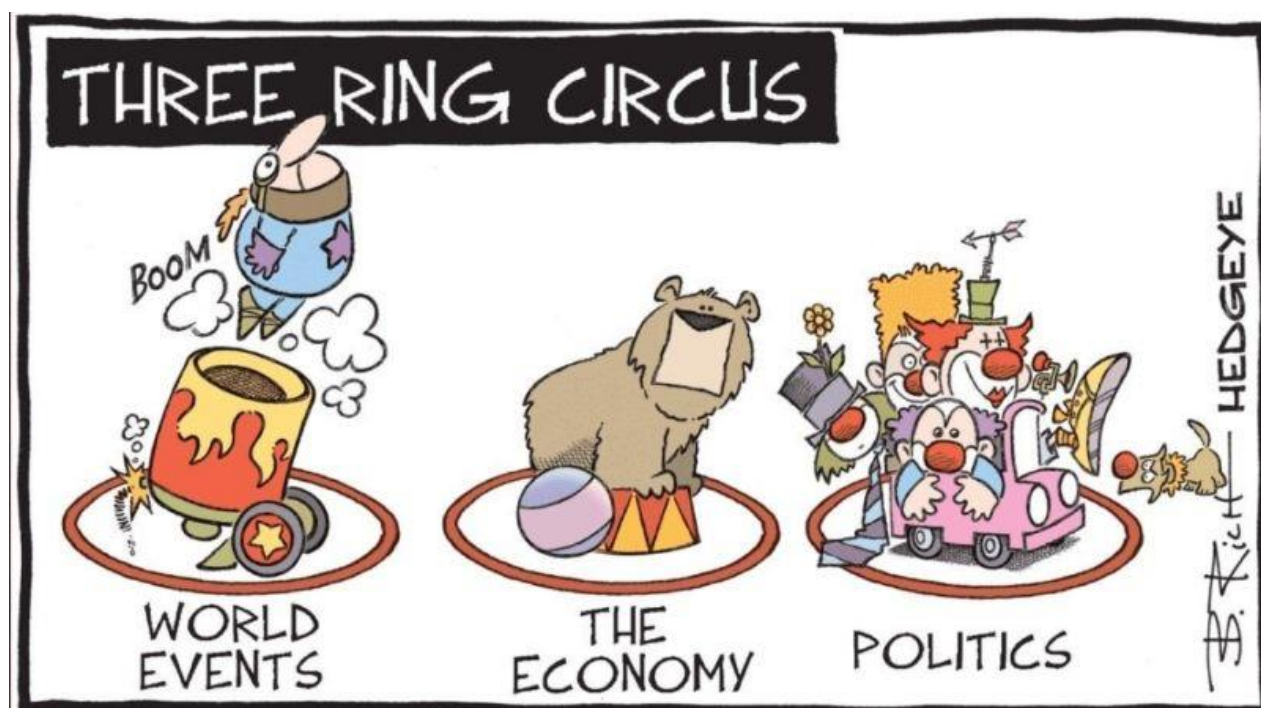


Source: Coinshares



#food-for-thought

#weekly #humor



Source: Hedgeye

#food-for-thought

## #dowjones #sp500

Dow Jones Industrial Average and S&P500 together going back to 1950. Can you tell which one is which?

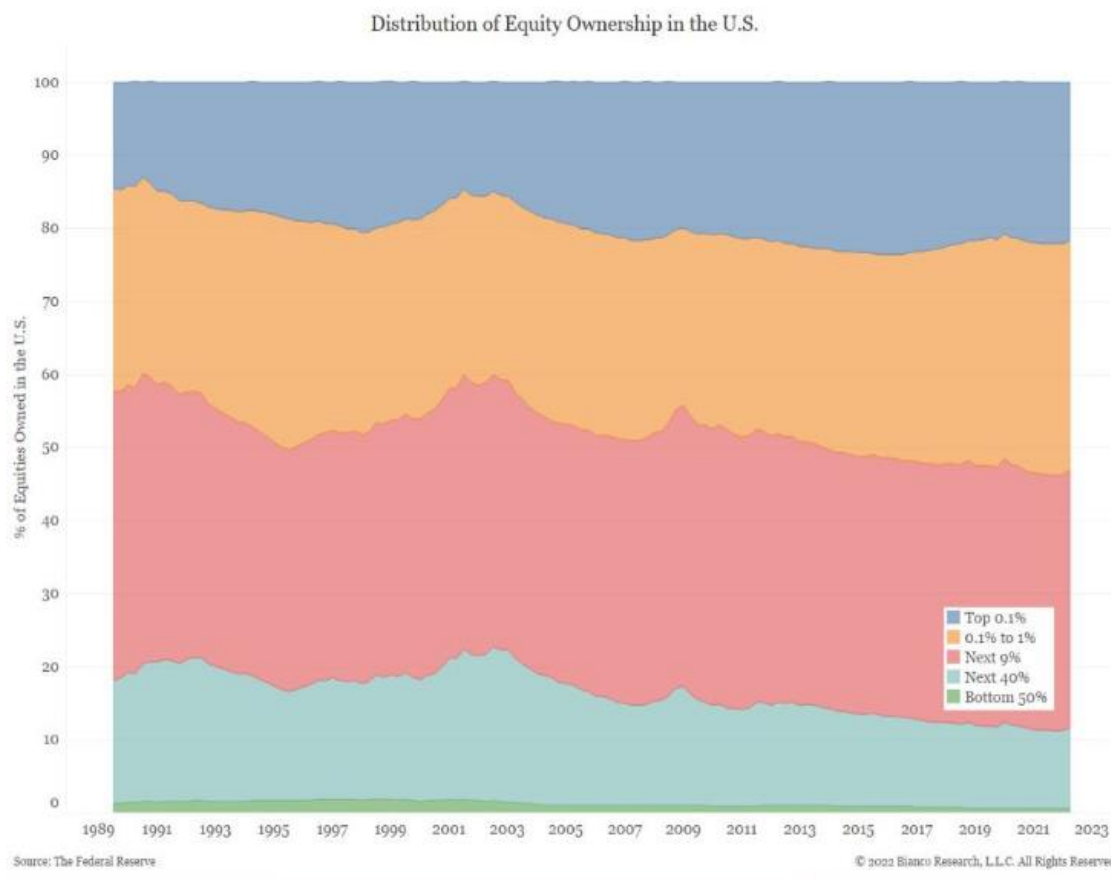


Source: allstarcharts

#food-for-thought

#wealth #inequality

Top 1% of Americans (by wealth) own 53.1% of all stocks in United States; top 10% own almost 89% and bottom 50% own less than 1%

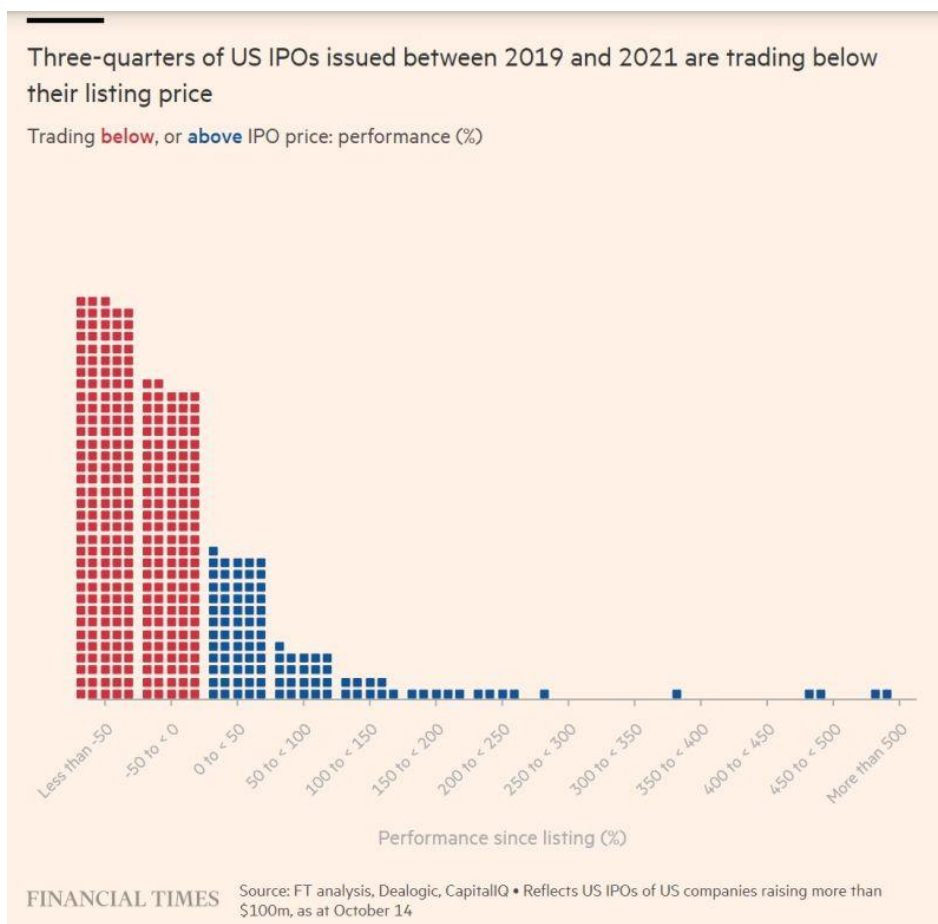


Source: Liz Ann Sonders, Federal Reserve

#food-for-thought

#us #ipos

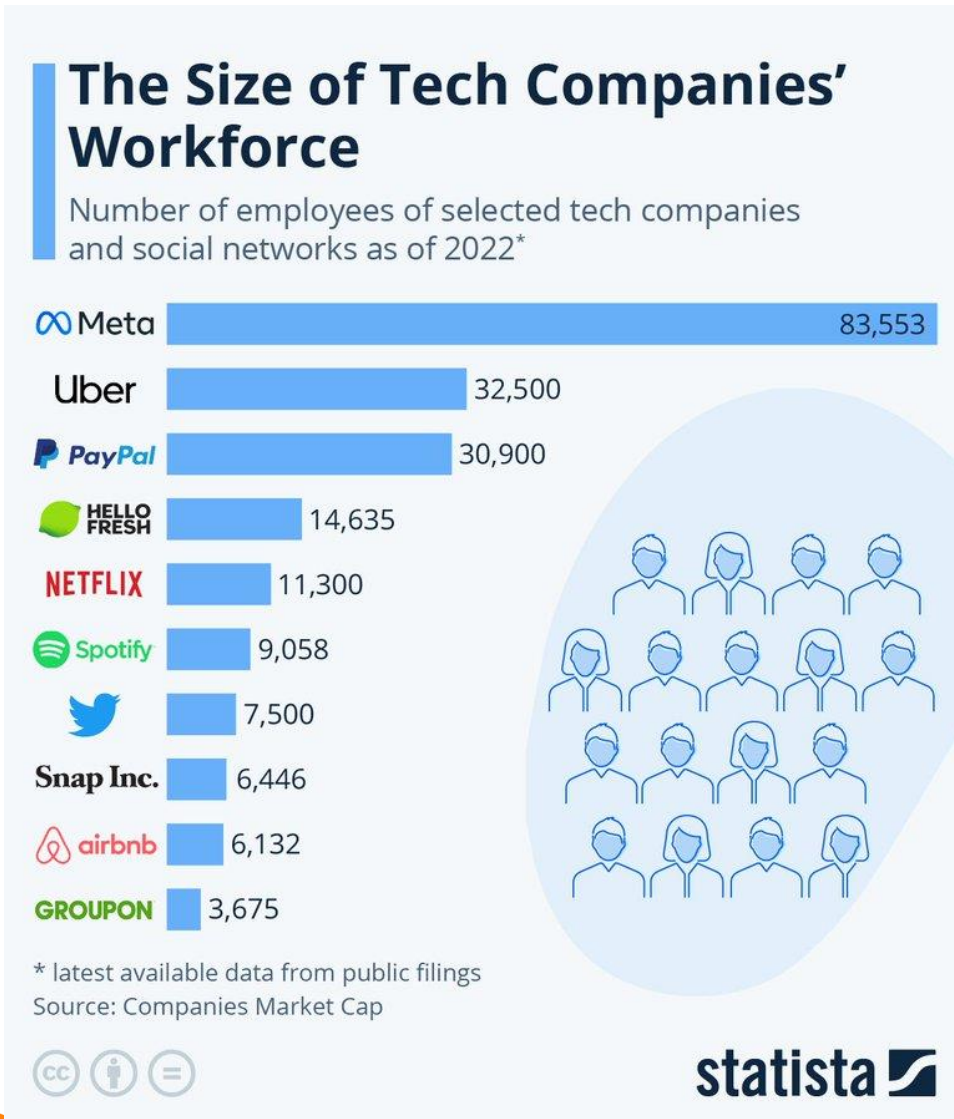
Three-quarters of large US companies that went public during the pandemic bull market are trading BELOW their offering price... Of more than 400 listings where companies raised at least \$100mn between 2019 and 2021, 76% are below the price at their initial public offering, a Financial Times analysis of Dealogic data shows.



#food-for-thought

#tech #firing

As Elon Musk plans to cut 75% of Twitter's workforce, here is a look at the number of employees of selected companies in the app economy.



#food-for-thought

## #uk #pensions #crisis

Some of the world's largest hedge funds (Marshall Wace, Odey Asset Management) warn the UK pension crisis has just started.



# Hedge Fund Titan Warns UK Pension Crisis Is Just the Start

- Billionaire Marshall says pensions are acting like hedge funds
- Crispin Odey says the LDI crisis is only just beginning

#food-for-thought

#uk #politics



Michael A. Arouet  
@MichaelAArouet



Twitter is undefeated



8:03 PM · Oct 15, 2022 · Twitter for iPad

#food-for-thought

#uk #politics



Wall Street Silver  @WallStreetSilv · 7h

...

Not bad ... that will cover a few months of her electric bill.





#food-for-thought

## #uk #politics

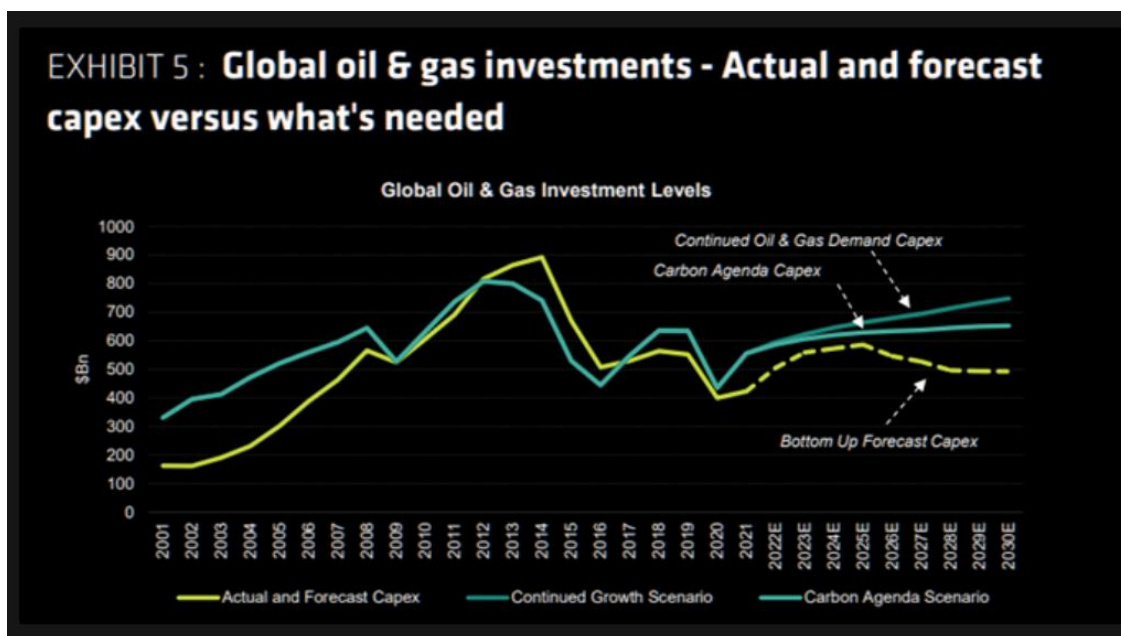
Who gets offended the most by this cover page? The brits or the Italians ? Some numbers: Debt to GDP ratio Italy: 150%, UK: <100% / Economic growth since 1999 Italy: 7.7%, UK: ~40% / Total Market Cap stock market Italy: \$484bn, UK: \$2,519bn.



#food-for-thought

#oil #gas #capex

Sanford Bernstein looks at the scale of the problem of underinvestment in energy capex. The conclusion is that we are underinvesting significantly. To meet the reduced Carbon Agenda scenario of managed decline, capex will need to rise by at least 20% on average from here to 2030. To meet 1% CAGR global oil & gas demand to 2030 then capex would need to be 30% higher on average from here to 2030 and 40% in the second half of the decade



Source: Sanford Bernstein, TME

#food-for-thought

#1987

Exactly 35 years ago, 19 October 1987, the Dow Jones had his worst day ever dropping 22.6% in one single day. Since then, the Dow Jones is up 1500%



Source: Compounding Quality

#food-for-thought

#stocks #styles #history

From a book written in 1993 - when Kodak was a Blue Chip and Walmart was a Growth stock.

<i>Class</i>	<i>Description</i>	<i>Examples</i>
Growth Stocks	Rapidly Growing Companies	Wal-Mart
Blue Chip Stocks	Very Large Companies	Kodak, Coca-Cola
Cyclical Stocks	Fluctuate Greatly with Economy	Ford, GM
Penny Stocks	Risky, Small Companies with Low Share Prices	Jet Electro

Source: twitter

#food-for-thought

#alaska #us #russia



#OnThisDay in 1867: The US takes possession of Alaska after purchasing it from Russia.

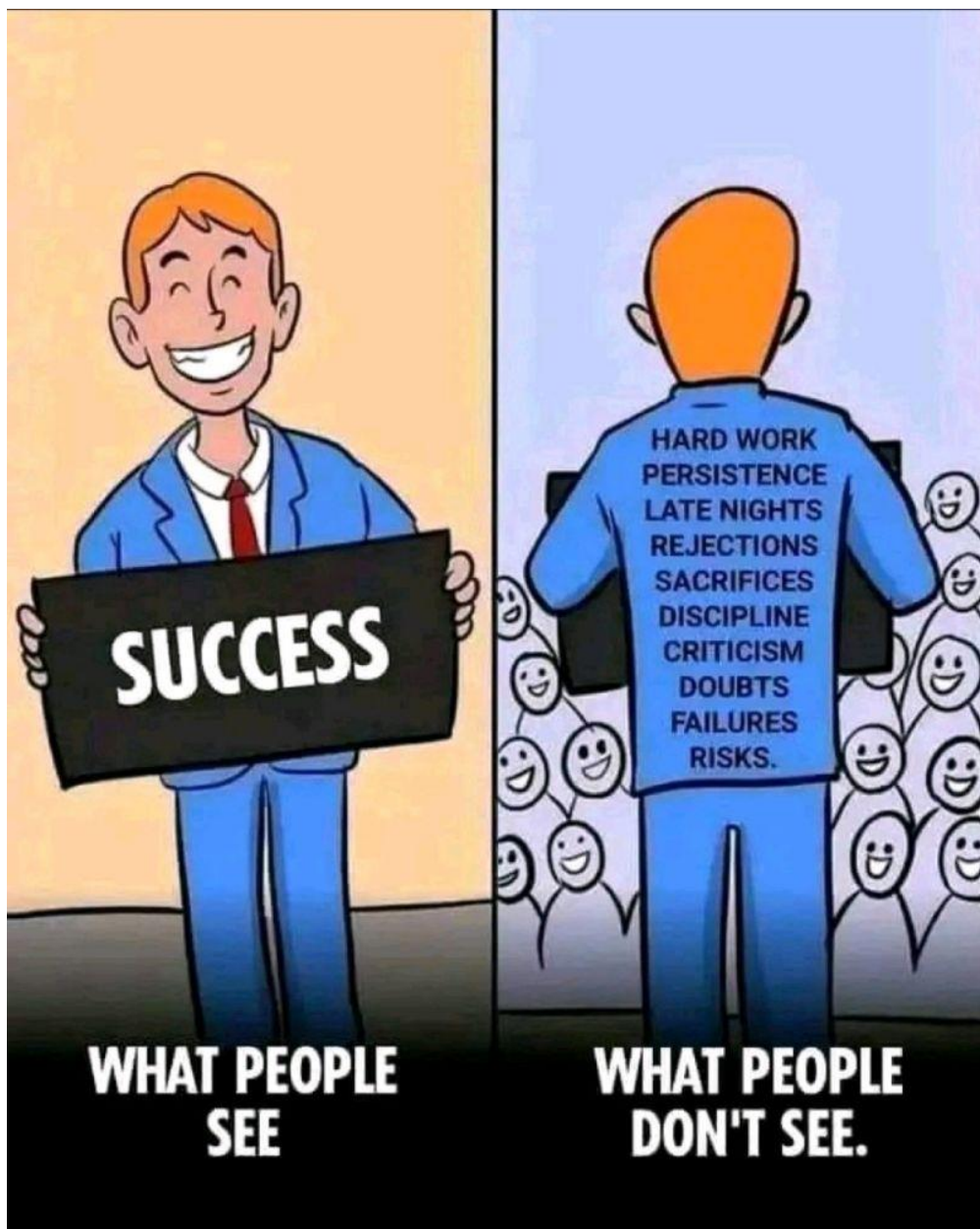
Pictured here is the treasury warrant for \$7.2 million (less than 2 cents an acre) that completed the purchase.

Today, 25% of US-produced oil & over 50% of US seafood come from Alaska.



#food-for-thought

#success





Source: European Leadership

#food-for-thought


#effectiveness

# 7 HABITS OF HIGHLY EFFECTIVE PEOPLE

BY STEPHEN R. COVEY | ILLUSTRATION BY NATHALIE TU

- 1 BE PROACTIVE**  
FOCUS ON YOUR **CIRCLE OF INFLUENCE**. TAKE RESPONSIBILITY FOR YOUR REACTIONS TO YOUR EXPERIENCES.  

- 2 BEGIN WITH THE END IN MIND.**  
HOW DO I WANT TO BE REMEMBERED? WHO DO I WANT TO BE? WHAT ARE MY VALUES? WHAT DO I WANT TO ACHIEVE? ...  
↳ WRITE A MISSION STATEMENT  

- 3 FIRST THINGS FIRST**  

1 URGENT & IMPORTANT	→ DO!
2 NOT URGENT & IMPORTANT	→ PLAN!
3 URGENT & NOT IMPORTANT	→ DELEGATE
4 NOT URGENT & NOT IMPORTANT	↳ ELIMINATE!


- 4 THINK WIN-WIN**  
CREATE MUTUALLY BENEFICIAL SOLUTIONS IN YOUR RELATIONSHIPS.  

- 5 SEEK FIRST TO UNDERSTAND, THEN TO BE UNDERSTOOD.**  
USE EMPATHIC LISTENING TO UNDERSTAND A PERSON GENUINELY. THIS WILL CREATE A CARING & PROBLEM-SOLVING ATMOSPHERE.  

- 6 SYNERGIZE**  
COMBINE YOUR STRENGTHS TO ACHIEVE GOALS THAT WOULD OTHERWISE BE IMPOSSIBLE FOR INDIVIDUALS TO ACHIEVE.  $1 + 1 > 2$   

- 7 SHARPEN THE SAW**  
CONTINUOUS SELF-RENEWAL & SELF-IMPROVEMENT  
4 MAIN AREAS: MENTAL, PHYSICAL, SPIRITUAL, EMOTIONAL  


---

# Subscribe to the newsletter

[syzgroup.com/newsletter](https://syzgroup.com/newsletter)





This marketing communication has been issued by the Syz Group. It is not intended for distribution to, publication, provision or use by individuals or legal entities that are citizens of or reside in a state, country or jurisdiction in which applicable laws and regulations prohibit its distribution, publication, provision or use. It is not directed to any person or entity to whom it would be illegal to send such marketing material. This document is intended for informational purposes only and should not be construed as an offer or solicitation for the subscription, purchase, sale or keeping of any security or financial instrument, or as a contractual document. The information contained herein does not constitute any legal, tax or accounting advice and may not be suitable for all investors. The market valuations, terms and calculations contained herein are estimates only and may change without notice. The information provided comes from sources deemed reliable, but the Syz Group does not guarantee its completeness or accuracy. Past performance gives no indication of future results.

**For the future...**