



# MARKET CONNECT

Top things to know for the week ahead



## Will valuation spreads weigh on the S&P500?

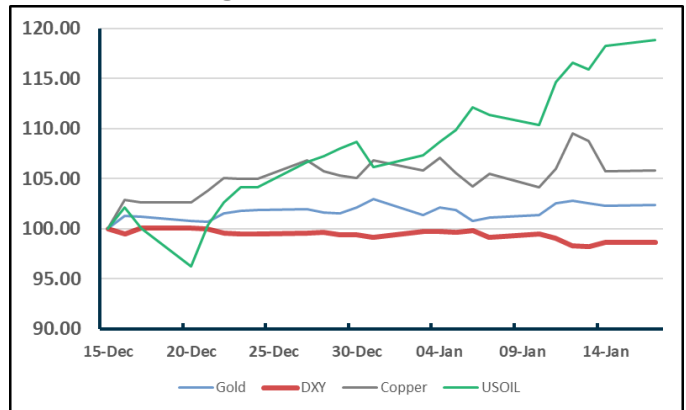
The S&P500 may see continued downward pressure this week as valuations continues to normalise back towards pre-pandemic levels. This is due to the valuation spreads among the S&P500 constituents still mostly skewed towards the mega cap tech stocks. With the outlook for economic growth more tepid relative to 2021 thanks to rate hikes, it does appear that we may see more downside in the S&P500. This is especially prevalent in forward PE ratios of mega cap tech stocks, with the S&P500 ex. MAGMA (MSFT, AAPL, GOOG, META, AMZN) currently trading at a premium of 18.87x while the basket of MAGMA stocks trades at a premium of 28.17x. In addition, investors may pare back positions ahead of next week's FOMC meeting, as it looks increasingly likely for the Fed to commit on its outlook for a quicker pace of rate hikes and a potential balance sheet reduction as soon as this year.

Another driver of downside, in our view, may stem from the omicron variant. While we remain firm on our outlook for the variant's impact on the global economy to be limited and short-lived, it could still weigh on cyclical stocks in the short-term with the release of manufacturing and labour market data later in the week potentially reflecting renewed supply chain disruptions and temporary layoffs due to omicron. We could see another retest of the 100-day moving average as a result, nearer to the 4,500 level for the S&P500. DXY, on the other hand, looks more poised for a bounce back higher after reversing into a downtrend. Both the MACD and Slow Stochastics indicators suggest deeper downside is likely to slow in the greenback early in the week. That said, it may trade rangebound (in the 94.50-95.50 band) over these couple of weeks as traders may pare positions ahead of the coming FOMC meeting.

## Is USOIL due for a consolidatory move lower?

Time spreads in WTI futures may be signalling limited upside momentum. With optimism on supply pushing crude oil prices higher, easing supply constraints and reduced demand in parts of Asia may weigh on sentiment in the short-term and provide a ceiling for prices. China and other parts of Asia have been tightening measures to curb the spread of the omicron variants in the recent weeks. Add to that the recovering production from Libya and Kazakhstan, and it looks more likely that there is little room for front month contracts to rise at the same pace as the previous weeks with 1M-6M spreads in WTI trading at US\$4.43 (the highest since mid-November 2021).

## Commodities Against DXY (Rebased to 100)



Source: ADSS, Bloomberg

## DATA WATCH



Day	Time (GMT +8:00)	Related Currency	Events/Indicators
Mon	09:20	CNY	China 1-Yr Medium-Term Lending Facility Rate
	10:00	CNY	China GDP YoY
	10:00	CNY	China Surveyed Jobless Rate
Tue	12:30	JPY	Japan Industrial Production MoM
	15:00	GBP	United Kingdom ILO Unemployment Rate 3Mths
	18:00	EUR	Germany ZEW Survey Expectations
	18:00	EUR	Germany ZEW Survey Current Situation
	00:00	JPY	Japan BOJ Policy Balance Rate
	00:00	JPY	Japan BOJ CPI Current Forecast +1
Wed	15:00	GBP	United Kingdom CPI YoY
	21:30	CAD	Canada CPI YoY
Thu	08:30	AUD	Australia Employment Change
	08:30	AUD	Australia Unemployment Rate
	08:30	AUD	Australia Participation Rate
	09:30	CNY	China 1-Year Loan Prime Rate
	09:30	CNY	China 5-Year Loan Prime Rate
	18:00	EUR	Eurozone CPI YoY
	20:30	EUR	Eurozone ECB Publishes Account of December 2021 Policy Meeting
	21:30	USD	United States Initial Jobless Claims



# WEEKLY MARKET SNAPSHOT

## Index Returns

	Latest Price	1 week	MTD	QTD	YTD
<b>Equities</b>					
S&P 500	4,662.85	-0.30%	-2.17%	-2.17%	-2.17%
DJ Industrial Average	35,911.81	-0.88%	-1.17%	-1.17%	-1.17%
Nasdaq	15,611.59	0.12%	-4.34%	-4.34%	-4.34%
Euro Stoxx 50	4,272.19	-0.78%	-0.61%	-0.61%	-0.61%
MSCI EAFE Small Cap	308.11	-0.26%	-1.67%	-1.67%	-1.67%
FTSE 100	7,542.95	0.77%	2.15%	2.15%	2.15%
DAX	15,883.24	-0.40%	-0.01%	-0.01%	-0.01%
CAC 40	7,143.00	-1.06%	-0.14%	-0.14%	-0.14%
Hang Seng	24,383.32	3.79%	4.21%	4.21%	4.21%
MSCI World	3,173.12	-0.14%	-1.81%	-1.81%	-1.81%
ASX 200	7,393.86	-0.80%	-0.68%	-0.68%	-0.68%
NIKKEI	28,124.28	-1.24%	-2.32%	-2.32%	-2.32%
CSI 300	4,731.35	-2.00%	-4.25%	-4.25%	-4.25%
China A50	15,078.90	-2.23%	-3.96%	-3.96%	-3.96%
TWSE	18,375.40	1.13%	1.01%	1.01%	1.01%
<b>Fixed Income</b>					
Barclays Aggregate	528.42	0.43%	-0.75%	-0.75%	-0.75%
Barclays Euro Aggregate	266.13	0.07%	-0.52%	-0.52%	-0.52%
Barclays US High Yield	2,440.02	0.07%	-0.87%	-0.87%	-0.87%
Barclays Euro High Yield	438.11	-0.12%	0.05%	0.05%	0.05%
Barclays TIPS	125.91	-0.25%	-2.55%	-2.55%	-2.55%
JPM EMBI Global Divers	950.80	-1.18%	-2.71%	-2.71%	-2.71%
<b>Other</b>					
DJ US Real Estate	425.50	-1.44%	-5.95%	-5.95%	-5.95%
S&P GSCI	596.76	3.22%	6.34%	6.34%	6.34%
US Dollar Index	95.17	-0.58%	-0.53%	-0.53%	-0.53%
VIX	19.19	2.29%	11.44%	11.44%	11.44%

## Commodities

	Latest Price	31/12/21	30/11/21	31/10/21	31/12/20
<b>Prices</b>					
WTI Oil (\$/barrel)	83.82	75.21	66.18	83.57	48.52
Brent Oil (\$/barrel)	86.06	77.78	70.57	84.38	51.80
Gold (\$/oz)	1,817.94	1,829.20	1,774.52	1,783.38	1,898.36
Silver (\$/oz)	22.96	23.31	22.84	23.90	26.40
Copper	4.42	4.46	4.28	4.37	3.52
Corn	5.96	5.93	5.67	5.68	4.84
Coffee	2.40	2.26	2.33	2.04	1.28
Natural Gas	4.26	3.73	4.57	5.43	2.54

## Currencies

	Latest Price	31/12/21	30/11/21	31/10/21	31/12/20
<b>Prices</b>					
EURUSD	1.1411	1.1370	1.1338	1.1558	1.2216
GBPUSD	1.3675	1.3532	1.3299	1.3682	1.3670
USDJPY	114.19	115.08	113.17	113.95	103.25
USDCHF	0.9140	0.9129	0.9189	0.9161	0.8852
USDCAD	1.2552	1.2637	1.2779	1.2388	1.2725
AUDUSD	0.7208	0.7263	0.7127	0.7518	0.7694
NZDUSD	0.6804	0.6826	0.6822	0.7171	0.7184
USDCNH	6.3578	6.3570	6.3671	6.4049	6.5028

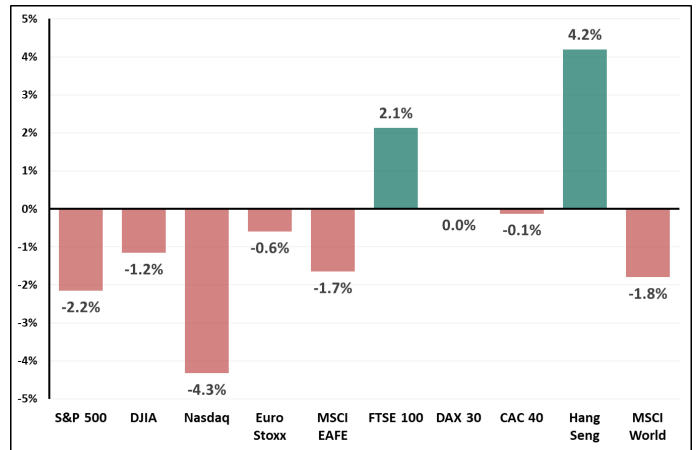
## Crypto

	Latest Price	31/12/21	30/11/21	31/10/21	31/12/20
<b>Prices</b>					
BTC/USD	43,321.70	46,333.65	57,138.67	62,395.66	28,996.28
XRP/USD	0.78	0.83	1.00	1.08	0.22
LTC/USD	144.96	146.14	209.26	194.65	124.11
DSH/USD	142.46	133.84	179.89	187.96	99.30

## Rates & Spreads

	Latest Rate	31/12/21	30/11/21	31/10/21	31/12/20
<b>Rates</b>					
Fed Funds Target	0.25%	0.25%	0.25%	0.25%	0.25%
ECB Depo Rate	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%
3 Month US Dollar Libor	0.24%	0.21%	0.17%	0.13%	0.24%
US Treasuries 2 Year	0.97%	0.73%	0.57%	0.50%	0.12%
US Treasuries 10 Year	1.78%	1.51%	1.44%	1.55%	0.91%
German Bunds 2 Year	-0.59%	-0.64%	-0.75%	-0.59%	-0.72%
German Bunds 10 Year	-0.05%	-0.18%	-0.35%	-0.11%	-0.57%
Japan Gov't Bonds 10 Year	0.14%	0.07%	0.05%	0.09%	0.02%
UK Gilts 10 Year	1.15%	0.97%	0.81%	1.03%	0.20%
Swiss Gov't Bonds 10 Year	0.00%	-0.15%	-0.26%	-0.06%	-0.58%

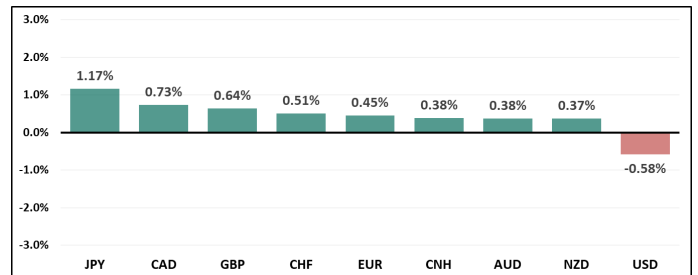
### Global Equity Returns (YTD)



Source: ADSS, Bloomberg

As of 14-Jan-22

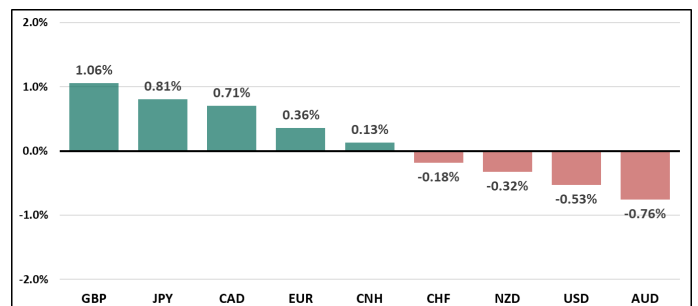
### Global Currency Returns (Weekly)



Source: ADSS, Bloomberg

As of 14-Jan-22

### Global Currency Returns (YTD)



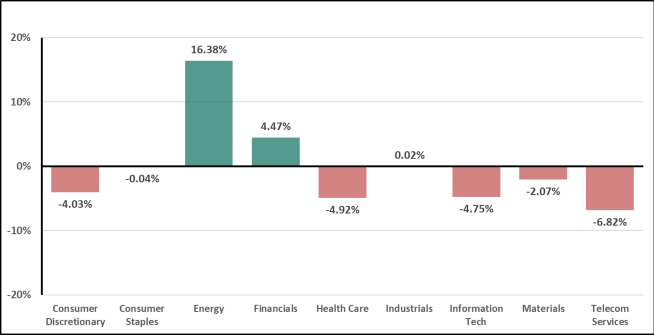
Source: ADSS, Bloomberg

As of 14-Jan-22



# WEEKLY MARKET SNAPSHOT

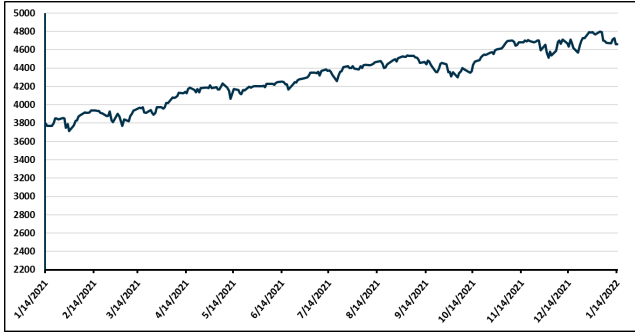
## S&P500 Sector Returns (YTD)



Source: ADSS, Bloomberg

As of 14-Jan-22

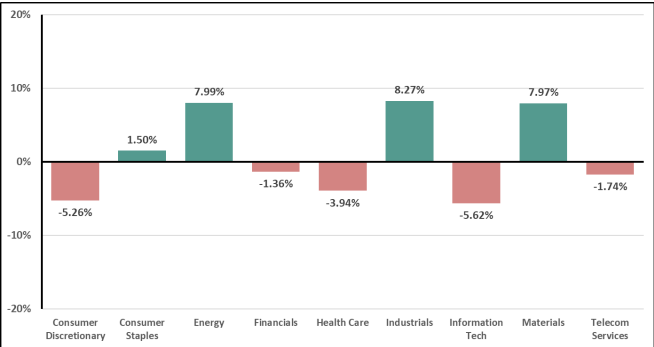
## S&P500 Index (1Y)



Source: ADSS, Bloomberg

As of 14-Jan-22

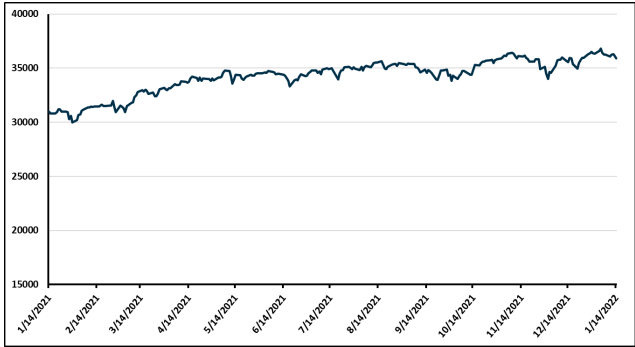
## Dow Jones Industrial Average Sector Returns (YTD)



Source: ADSS, Bloomberg

As of 14-Jan-22

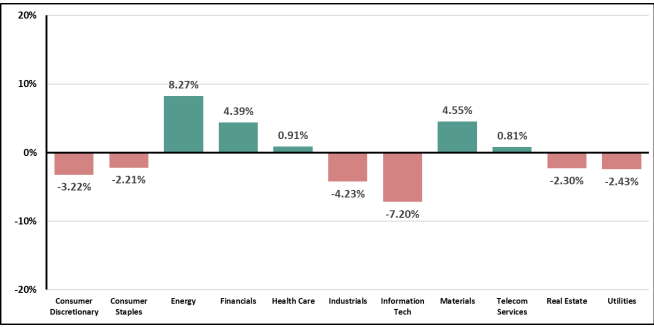
## Dow Jones Industrial Average Index (1Y)



Source: ADSS, Bloomberg

As of 14-Jan-22

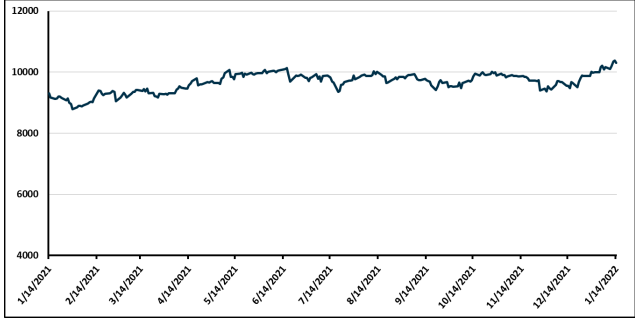
## FTSE100 Sector Returns (YTD)



Source: ADSS, Bloomberg

As of 14-Jan-22

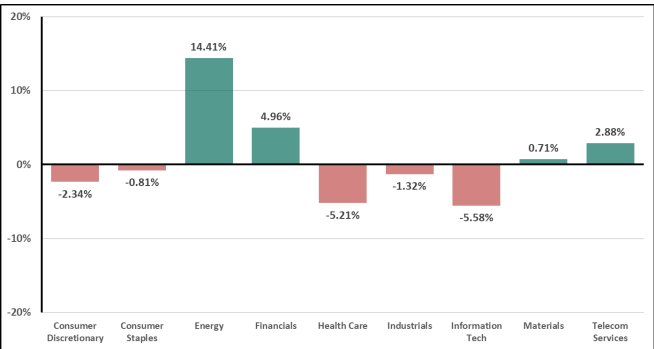
## FTSE100 Index (1Y)



Source: ADSS, Bloomberg

As of 14-Jan-22

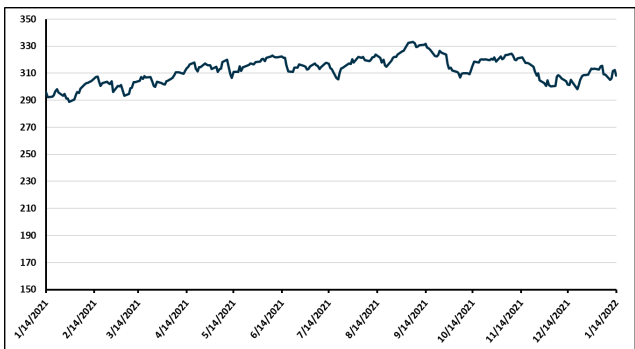
## MSCI World Sector Returns (YTD)



Source: ADSS, Bloomberg

As of 14-Jan-22

## MSCI World Index (1Y)



Source: ADSS, Bloomberg

As of 14-Jan-22



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