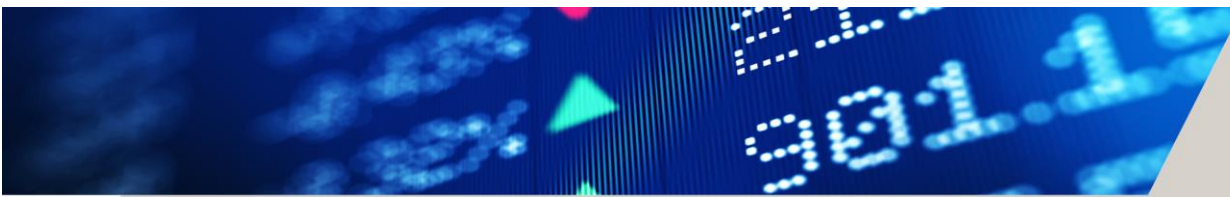


Monthly Market Summary



January 2022



Summary: A dry January for stocks as sentiment sours

Escalating geopolitical tensions between Russia and Ukraine, and more hawkish commentary from the Fed unsettled markets in January: global equities ended the month down -4.9% (in USD terms), alongside global government bonds, -1.5% (in USD, unhedged). Key events included:

- Global stocks suffered their worst monthly return since 2009;
- Shorter-dated treasury yields rose sharply as policy normalisation moved into focus;
- Growth remained intact despite resurgent omicron cases in the fourth quarter

Stocks reversed year-end gains as investor sentiment turned negative, and elevated volatility saw the VIX surge briefly to 32. A sharp rotation away from “growth” to “value” stocks saw the tech-heavy Nasdaq underperform (-9.0%). Treasury yields rose and the curve flattened as markets priced in a steeper path for US rate hikes ahead. Corporate earnings surprised positively in the fourth quarter and expectations for 2022 have moved higher still. Elsewhere, oil hit its highest level since 2014 and Cryptocurrencies underperformed (Bitcoin -17%). In currencies, the dollar and sterling outperformed.

US: Economy expands briskly; ‘Nimble’ Fed; Russia tensions

The US economy expanded +1.7% (q/q) in the final quarter of last year, and +5.5% for 2021, with output now 3% above pre-crisis levels. Inventory restocking drove growth despite resurgent infection weighing on economic activity in the fourth quarter – consumption reversed in the final month of the year. The ISM manufacturing survey came in at 57.6 for January (from 58.7), though supply side frictions continued to recede. The Fed refrained from hiking at its January meeting, but signalled caution on inflation, with December’s headline CPI print at 7% (y/y) – a four decade high. Money markets have priced in an increasingly hawkish pathway for rates in 2022. In politics, Biden continued to apply pressure on Russia, threatening further sanctions on Russian individuals, and announced a withdrawal of individuals from its Ukrainian embassy.

Europe: Growth intact; Mattarella to remain; Restrictions rescinded

The Eurozone expanded +0.3% (q/q) in the final quarter of last year and +4.6% for the year as whole. The underlying growth story however was mixed: Germany contracted (-0.7% q/q) and France and Spain posted growth ahead of expectations (+0.7% and +2.0%, respectively). Despite this, Eurozone output recovered to pre-crisis levels in the fourth quarter. The inflation picture was no less mixed, with pressures easing in Germany, but moving higher in the wider Eurozone (5% y/y). Despite elevated contagion rates, a number of restrictions were rescinded during the month – notably in the UK and the Netherlands. On the political stage, Italian MPs re-elected Mattarella, leaving Draghi’s administration in place. In the UK, Johnson remained under pressure as investigations into Downing Street’s ‘partygate’ scandal continued.

ROW: China growth slows; EM policy tightening continued

China’s economy expanded +1.6% in Q4 and +8.1% in 2021. However, uneven growth was evident at the year-end, shaped by China’s zero-covid policy, alongside ongoing property related weakness. The central bank eased policy further in January to stimulate growth, cutting two additional key lending rates. Conversely, Chile, Hungary, South Africa and Poland were among some of the emerging economies that continued to normalise policy. Turkey was one visible exception, as Erdogan reaffirmed his advocacy for looser policy, despite inflation reaching a 19-year high of 36% (y/y) in December.

Performance figures (as of 31/01/2022 in local currency)

Fixed Income	Yield	1W %	YTD %
US 10 Yr	1.8%	-0.2%	-2.4%
UK 10 Yr	1.3%	-1.4%	-2.6%
Swiss 10 Yr	0.1%	-0.9%	-1.6%
German 10 Yr	0.0%	-1.0%	-1.3%
Global IG (hdg \$)	2.3%	-0.7%	-2.6%
Global HY (hdg \$)	5.6%	-0.4%	-2.2%

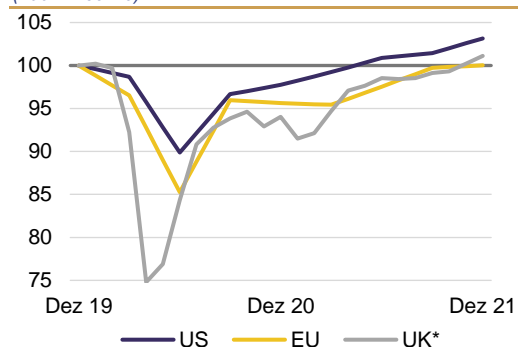
Equity Index	Level	1W %	YTD %
MSCI World (\$)	370	1.4%	-4.9%
S&P 500	4,516	2.4%	-5.2%
MSCI UK	13,137	2.2%	1.9%
SMI	12,227	2.9%	-5.0%
Eurostoxx 50	4,175	3.0%	-2.7%
DAX	15,471	3.1%	-2.6%
CAC	6,999	3.1%	-2.0%
Hang Seng	23,802	-3.5%	1.7%
MSCI EM (\$)	597	-1.1%	-1.9%

Currencies (trade-weighted)	1W %	YTD %
US Dollar	0.7%	0.6%
Euro	-0.7%	-0.7%
Yen	-0.8%	-1.2%
Pound Sterling	0.4%	0.3%
Swiss Franc	-1.0%	-0.9%
Chinese Yuan	0.1%	0.6%

Commodities	Level	1W %	YTD %
Gold (\$/oz)	1,797	-2.5%	-1.8%
Brent (\$/bl)	91.21	5.7%	17.3%
Copper (\$/t)	9,578	-1.9%	-1.7%

Source: Bloomberg, Rothschild & Co

GDP recovery profiles indexed (100 = Dec '19)



Source: Bloomberg, Rothschild & Co
*UK GDP based on monthly data



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