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2022 February Market Wrap — Tuesday 1 March 2022

There are few words to describe the violence that is taking place in Eastern Europe right now. It was just starting to feel like the world was reconnecting post COVID. We can only hope that the damage will be minimal, that cooler heads will prevail, and that the loss of human life will be spared.

Many questions remain as we are on the other side of what is arguable the largest easing of fiscal and monetary policy in history. As the economy and markets work their way through a tightening cycle as major indices have corrected. The rates argument, Rates up means lower terminal values, thus stocks go down. If rates go down that means growth is slowing and stocks go down. This is the key for all Central Bank in increasing rates. From here a sustainable move higher will depend on resilience of the global consumer, central banks' ability to smoothly land the plane and company discipline to maintain healthier balance sheets.

Amid rising geopolitical risks, central banks must weigh the trade-off between growth and inflation. Will the Fed look through energy price effects on inflation to focus on the impact to GDP? If downside risks to the outlook prevail, that slower growth should slow inflation. The market forecast remains that the Fed lifts off in March with 25bp hikes, delivering a total of 150bp of tightening this year and an additional 100bp in 2023. The main debate is whether geopolitical tensions should affect the Fed's outlook on tightening.

The RBA meets today for its monthly rate decision. The market will watch the commentary for guidance on rates into the future. Elevated inflation is likely to lead to increased pressure on the Reserve Bank to raise interest rates quicker than otherwise anticipated. Moreover, since wage bargaining arrangement are often tied to inflation, we may also observe stronger wage growth in 2022 than seen in previous years."

Leads from the RBA will be key to potential increase and timing of rates move in 2022. The second argument is about how many increases and the final cash rate to bring inflation under control without stopping growth. The RBA is behind the curve on inflation this normally leads to rates being higher for longer and increases the risk of causing a recession like in the 80's.

It is clear moving forward volatility will be the name of the game. As Governments remove Fiscal spending and tries to repay the mountains of debt. Central Banks normalising rates and reducing their bloated balance sheet to bring rates and money supply back to normal levels. Now we have the geopolitical risk of Russia expansion or the reunification of the old countries back into the fold.

If you have any questions do not hesitate to contact me.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-3.54%	+7.47%	-6.73%
Nasdaq	-3.43%	+1.20%	-12.10%
S&P 500	-3.14%	+12.10%	-8.23%
Russel 2000	+0.97%	-9.99%	-8.78%
Europe 600 Index	-3.36%	+9.86%	-7.11%

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UK FTSE 100 Index	-0.08%	+13.20%	+1.00%
Hong Kong Hang Seng	-4.58%	-22.88%	-2.93%
Japan Nikkei 225	-1.76%	-10.57%	-8.87%
China Shanghai Composite	+3.00%	-2.51%	-4.88%
India S&P BSE Sensex	-3.05%	+12.83%	-3.44%
ASX 200 (Australia)	2.14%	+10.19%	-5.31%

Australian Dollar

	Close	52 week Range
AUD	0.7067%	0.6967-0.8008%

Government Bonds

	Close	52 week Range
US 3 Month Bill	0.313%	0.003-0.457%
US 10 Years Note	1.824%	1.132 – 2.065%
US 30 Years Bond	2.16%	1.638 – 2.515%
Australia 10 years	2.143%	1.069-2.298%

Source: Wall Street Journal.