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MONTHLY MARKET ROUNDUP

APRIL 2022

**ALPHA VALUE
MANAGEMENT**

ECONOMIC OVERVIEW

After much anticipation, the Federal Open Market Committee meeting held this week confirmed a 50 basis point Fed Funds rate hike, setting the short-term marker at 1.0%. Market participants will also be keeping a close watch on Fed Chair Jerome Powell’s comments stemming from the post-meeting debrief for clues as to the planned pace of future rate hikes.

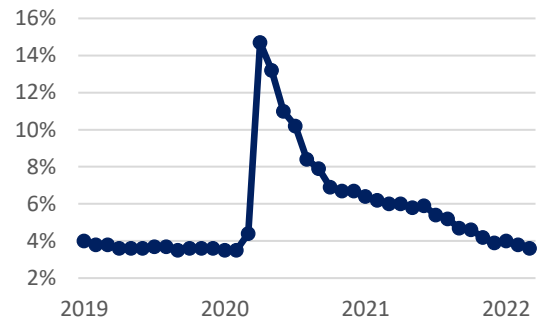
March’s Consumer Price Index showed a 1.2% MoM rise, while Producer Price Index data edged up higher than expected, at 1.4% MoM. Through these and other economic indicators, it is evident that the Fed has a long way to go before it is able to catch up with current inflation readings, as the CPI and PPI are each running at a YoY surge of 8.5% and 11.2%, respectively, while the Fed’s preferred measure – the PCE Core Deflator – is up 5.2%.

In spite of the upward trending loan interest rates, the housing market remains attractive. The S&P CoreLogic CS 20-City Index was once again higher, this time by 2.4% MoM for a total of 20.2% YoY. The prevailing mismatch which exists between the current demand for and supply of housing indicates that prices are set to remain robust for the time being, even in the event of higher loan rates. Furthermore, New Home Sales experienced a significant dip of -8.6%, while Existing Home Sales fell -2.7% and Housing Starts rose 0.3%.

From a GDP standpoint, the first look into Q1 displayed a reading which was lower than analysts expected (1.0%), with the economy contracting -1.4% on an annualised basis. Consumers remained resilient throughout March, as Personal Income and Personal Spending were up by 0.5% and 1.1%, respectively, surpassing expectations. However, the ISM Manufacturing reading for April was not as promising, down to 55.4, albeit remaining suggestive of expansion. On the labour market front, the picture being depicted remains somewhat challenging, as the Unemployment Rate for March came in at 3.6%, while the latest JOLTS release showed that in excess of 11 million jobs are currently available.

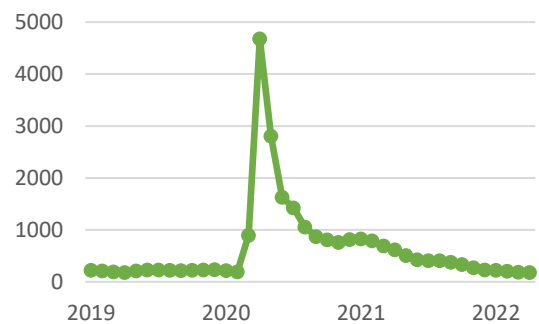
Looking ahead, this week’s Fed meeting will offer a glimpse into its thoughts on inflation and the pace of rate hikes needed to control prices spiralling out of control. While markets cautiously await a number of outcomes, increased hawkishness will be required for the Fed to truly convince investors that it understands the potentially disruptive nature inflation may bring. Having used their “transitory” theses for far longer than the market would have wished for, the Federal Reserve will need to fight back for its credibility.

UNEMPLOYMENT RATE



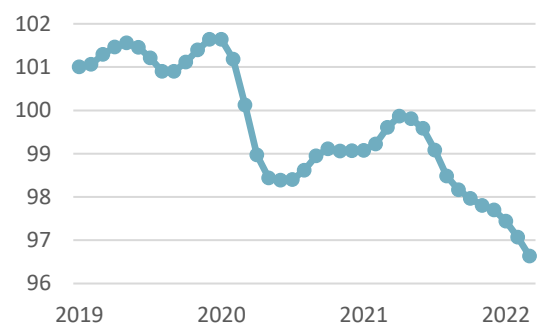
Source: Bureau of Labour Statistics

4-WEEK MOVING AVG. OF INITIAL CLAIMS ('000)



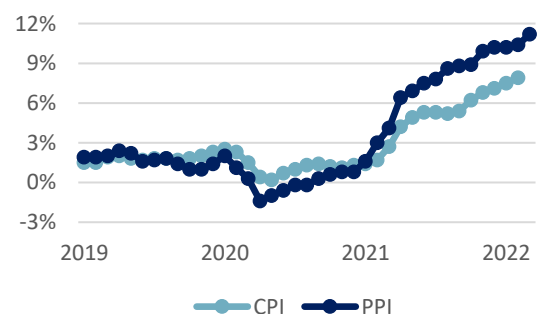
Source: Federal Reserve Economic Data

CONSUMER CONFIDENCE



Source: Organisation for Economic Co-Operation and Development

PPI & CPI YOY % CHANGE



Source: Bureau of Labour Statistics

GLOBAL EQUITY

Throughout April, U.S. equities recorded their worst performing month since March 2020, with the benchmark S&P 500 Index losing -8.72%. Mid and small-Caps, measured by the S&P 400 and 600 Indices, were able to fare slightly better, beating the S&P 500 marginally and recording losses at -7.11% and -7.81%, respectively. According to S&P Dow Jones Indices, FAANG stocks were responsible for 37.00% of the S&P 500's downfall, which is why the lack of their presence in mid and small-cap indices lead to them being less in the red. Furthermore, growth stocks, measured by the S&P 500 Growth Index, lost -12.48% during the month and -20.00% YTD, compared to value stocks which have held their ground more firmly and lost -4.86% MoM and -5.02% YoY, a significant difference when compared to equity of a growth nature.

The last week of April was characterised by one of the busiest weeks in terms of corporate earnings for this earnings seasons, with Google, Microsoft, Facebook and Apple all making the headlines. After having reported the week prior, Netflix's stock fell in excess of -30%, while Amazon dropped close to -14% post-earnings. On a sectoral level, Consumer Staples was the only sector to record a positive performance throughout April and throughout the year (with the exception of Energy which has soared 36.85% on the back of rising oil prices).

From a regional perspective, the MSCI EMU Index, which represents European equities, was down -1.82% MoM in euro terms, and -6.54% in dollar terms following the euro's depreciation from \$1.10 in March to \$1.05 in April. The war in Ukraine, interest rate disparities and the overall direction of monetary policy have all contributed to a weaker euro. On an international level, results stemming from developed and emerging markets yielded similar returns. Measured by the MSCI EAFE index, developed markets shed -6.40%, while emerging market indices, represented by the MSCI EM Index, fared slightly better and returned -5.55% over the period. However, while both developed and emerging markets were able to outperform the S&P 500's MoM return of -8.72%, they both remain deeply in the red when taken on a yearly basis, yielding -7.64% and a staggering -18.09%, respectively.

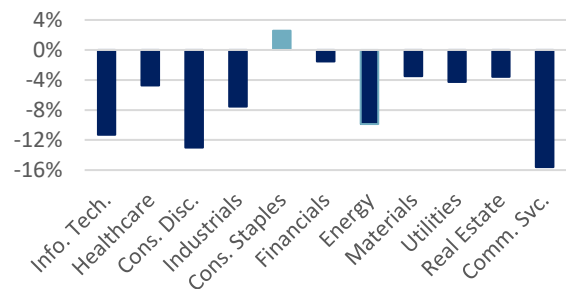
At an individual country level, Japanese equities dipped by -3.50% in JPY terms, and -10.43% in USD terms following the weakening of the Yen. Throughout the month, the Bank of Japan re-emphasised its commitment towards controlling its yield curve, pledging an unlimited amount of government bond purchases aimed at holding rates low and in turn creating substantial divergence in policy when compared to the Fed and other influential global central banks. Other Asian currencies have also weakened. With China in focus, following recent uncertainty, the Chinese government has promised to work on policy more favourable to its internet giants. Meanwhile, the Peoples Bank of China cut reserve ratio requirements for banks by 1% in order to aid towards strengthening their Yuan.

EQUITY RETURNS

Name	MTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	-8.72%	-12.92%	-0.08%	13.83%	13.63%
S&P 400 Mid Cap Index	-7.11%	-11.65%	-7.06%	9.89%	9.26%
S&P 600 Small Cap Index	-7.81%	-13.01%	-8.63%	9.10%	8.84%
S&P 500 Growth Index	-12.48%	-20.00%	-3.24%	15.63%	16.28%
S&P 500 Value Index	-4.86%	-5.02%	3.22%	10.72%	10.02%
MSCI EMU Index (EUR)	-1.82%	-10.73%	-1.54%	5.52%	4.72%
MSCI EAFE Index (USD)	-6.40%	-11.79%	-7.64%	5.02%	5.35%
MSCI EM Index (USD)	-5.55%	-12.10%	-18.09%	2.60%	4.66%

Source: Bloomberg

MTD S&P 500 SECTOR RETURNS



Source: Bloomberg

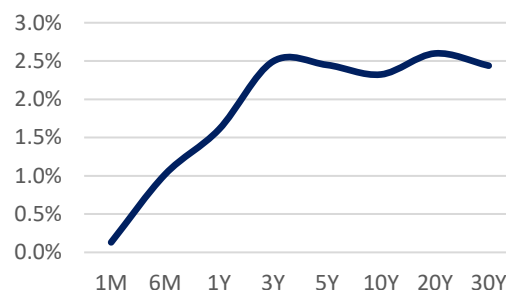
FIXED INCOME

US Treasury yields rose in the last week of April as inflationary expectations remained elevated. The 10-year Treasury yield rose above 2.9%, its highest level since late 2018, before easing a little. Two-year Treasury yields also rose above 2.6%, meaning the yield gap with 10-year Treasuries declined around 15-20bps. US Federal Reserve Governor Jerome Powell pointed towards a 50bps hike in interest rates, stating it "will be on the table" at the next Fed policy meeting (3-4 May), and that "it is appropriate to be moving a little more quickly" in terms of monetary tightening. This was a theme taken up more times by Fed board member James Bullard who is calling for rates to be 3.5% by the end of the year. In his view, this would represent a neutral level. He stated that inflation was "far too high" and a much faster and larger adjustment to interest rates was necessary, including a possible 75bps hike in May.

Euro area and German inflation levels soared. The annual consumer inflation rate in the euro area rose significantly in March to 7.4% from 5.9%, reflecting a similar increase in German inflation, which shot higher to 7.3% from 5.1%, mainly driven by higher energy costs. It marked the highest rate for 41 years for the euro area. Meanwhile, producer price inflation jumped to 4.9% in March alone, and to 30.9% YoY, a record rate for the fourth consecutive month. The 10-year German Bund yield climbed above 0.9% for the first time in seven years.

Negative yields vanish in corporate bond issues. Bloomberg revealed that all new investment grade corporate bond issues represented in its global tracker index were now trading at a yield of at least zero for the first time since the beginning of the pandemic. In August 2021, at least \$1.5trn of issues in the index had a negative yield, with the majority occurring in Europe. The era of negative yield credit started in early 2015. Tighter monetary policy and expectations of higher interest rates in 2022 have helped raise the average yield of Bloomberg's global index tracker to 3.7%.

TREASURY YIELD CURVE



Source: Bloomberg

CENTRAL BANK ACTIVITY

Name	Current	1 Month Prior	6 Months Prior	1 Year Prior
Fed Funds Rate	0.50%	0.50%	0.25%	0.25%
ECB Rate	0.00%	0.00%	0.00%	0.00%
BoE Rate	0.75%	0.50%	0.10%	0.10%
BoJ Rate	-0.10%	-0.10%	-0.10%	-0.10%

Source: Bloomberg

U.S. TREASURY YIELDS

Period	3-Month	2-Year	5-Year	10-Year
Current	0.83%	2.72%	2.94%	2.90%
1 Month Prior	0.50%	2.32%	2.45%	2.32%
6 Months Prior	0.06%	0.49%	1.19%	1.56%
1 Year Prior	0.10%	0.14%	0.79%	1.58%

Source: Bloomberg

FIXED INCOME RETURNS

Name	MTD	YTD	1-Year	3-Year	5-Year
Bloomberg Barclays U.S. Government Index	-3.05%	-8.41%	-7.31%	0.45%	0.99%
Bloomberg Barclays U.S. Corporate Index	-5.47%	-12.73%	-10.43%	0.93%	1.96%
Bloomberg Barclays U.S. Corporate High-Yield Index	-3.56%	-8.22%	-5.22%	2.84%	3.69%
Bloomberg Barclays U.S. Agg Index	-3.79%	-9.50%	-8.51%	0.38%	1.20%
Bloomberg Barclays Global Agg Treasuries USD Index	-2.21%	-6.53%	-5.83%	0.32%	1.52%
Bloomberg Barclays EM USD Agg Index	-4.33%	-13.15%	-12.67%	-0.94%	0.75%
Bloomberg Barclays Municipal Index	-2.77%	-8.82%	-7.88%	0.46%	1.80%

Source: Bloomberg

ALTERNATIVE INVESTMENTS

With Russia’s plan for a quick victory in Ukraine dashed, a prolonged war seems like the most likely scenario. One positive is that we have thus far avoided having more countries enter the conflict - and we have avoided a nuclear war (small consolation). What’s more, just as the energy crisis of the 1970s encouraged the United States to seek energy independence, this situation seems to be encouraging Europe to find alternate sources of energy that enable it to no longer rely on Russia.

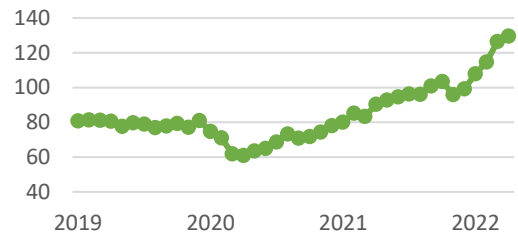
The Bloomberg Commodity Index created a new yearly high (134.99) towards the middle of month, before consolidating at 129.48 - a 4.07% increase from the previous monthly close. This performance was boosted by prevision of longer than expected war and, consequentially, further restriction of energy supply, in particular relative to natural gas.

WTI crude oil reached a peak of \$108.21 on the 18th of April, ending the month at \$104.69 - an increase of 4.40% that is much higher than the 1.32% of Brent Oil of the North Sea. So much so, the European barrel created a maximum on the 18th of April (\$113.16) and closed at \$109.34, only \$1.43 higher than the previous month. Natural gas exploded moving from \$5.64 to \$7.24, another 28% MoM surge following the same variation stemming from March (from \$4.40 to \$5.64).

Gold, despite the confirmed high level of CPI and PPI (high inflation pressure), flattened from \$1,944 to \$1,896 (-2.44%) with a peak of \$1,986 on the 18th of April. The up-trend of the yellow metal remains strong but the slowing of the pace could anticipate the peak of inflation or the approach to this very important level. One must remember that the Federal Reserve intends to base its monetary policy moves precisely on the performance of this fundamental macroeconomic aggregate.

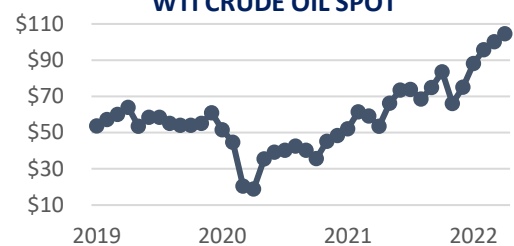
From an agricultural perspective, the price of soybean revised the yearly high closing at \$1,748 before take profit orders forced the raw material to revise its price downwards. The closing at \$1,708 reflects a rebalance between the bull and bear forces while waiting to understand if on the 9th of May, the day announced by Putin for the end of military operations, the conflict will end.

BLOOMBERG COMMODITY INDEX



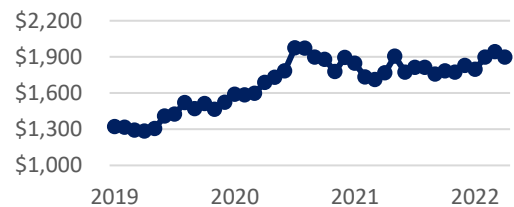
Source: Bloomberg

WTI CRUDE OIL SPOT



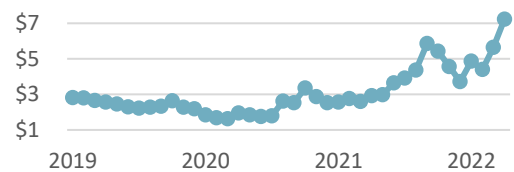
Source: Bloomberg

GOLD SPOT



Source: Bloomberg

NATURAL GAS



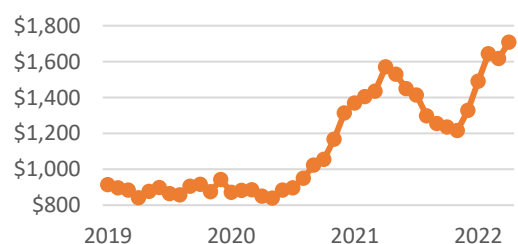
Source: Bloomberg

SPOT RATES

Description	Current	1 Month Prior	3 Months Prior	6 Months Prior	1 Year Prior
EUR / USD	1.05	1.11	1.12	1.16	1.20
EUR / GBP	0.84	0.84	0.83	0.84	0.87
USD / JPY	129.70	121.56	115.13	113.95	109.31
GBP / USD	1.26	1.32	1.34	1.37	1.38
USD / CHF	0.97	0.92	0.93	0.92	0.91
AUD / USD	0.78	0.75	0.71	0.75	0.77

Source: Bloomberg

SOYBEAN



Source: Bloomberg

DEFINITIONS

Consumer Price Index (CPI) – The price of a weighted average market basket of consumer goods and services purchased by households.

Producer Price Index (PPI) – Measures the average change over time in the selling prices received by domestic producers for their output.

Personal Consumption Expenditure Price Index (PCE Deflator) – A measure of inflation based on changes in personal consumption.

S&P CoreLogic CS 20-City Home Price Index – An index which seeks to measure the value of residential real estate in 20 major U.S. metropolitan areas.

S&P 500 Index – A stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

S&P 400 Mid Cap Index – A stock market index from S&P Dow Jones Indices which serves as a barometer for the U.S. mid-cap equities sector.

S&P 600 Small Cap Index – A stock market index which covers roughly the small-cap range of U.S. stocks.

S&P 500 Growth Index – A stock market capitalisation-weighted index in which all stocks in the underlying parent index are allocated into growth or value.

S&P 500 Value Index – A stock market capitalisation-weighted index in which all stocks in the underlying parent index are allocated into growth or value.

MSCI European Economic and Monetary Union (EMU) Index – A stock market index which captures large and mid cap representation across the 10 Developed Markets countries in the EMU.

MSCI Europe, Australasia, and the Far East (EAFE) Index – A stock market index which reflects the performance of mid and large cap stocks across 21 developed market countries

MSCI Emerging Markets (EM) Index – A stock market index which is designed to track the financial performance of key companies in fast-growing nations.

Bloomberg Barclays U.S. Government Index – An index comprised of the U.S. Treasury and U.S. Agency Indices.

Bloomberg Barclays U.S. Corporate Index – An index which measures the investment-grade, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Corporate High-Yield Index – An index which measures the high yield, below investment-grade, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Agg Index – A broad-based index which measures the investment-grade, fixed-rate bond market.

Bloomberg Barclays Global Agg Treasuries USD Index – An index which measures fixed-rate, government debt of investment-grade countries.

Bloomberg Barclays Emerging Market (EM) USD Agg Index – A debt-based index which tracks USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Bloomberg Barclays Municipal Index – An index which tracks municipal bonds.

Bloomberg Commodity Index – A broadly diversified commodity price index.

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