

# Daily Market Brief

May 22nd 2023



## FOREIGN EXCHANGE MARKETS

(Sources: Bloomberg / Forexlive)

### EURUSD

EUR/USD has shown a sharp recovery from near the round-level support of 1.0800 in the early Tokyo session. The major currency pair has shown resilience around 1.0800 as the US debt-ceiling talks didn't display positive developments on the weekend. US President Joe Biden and House of Representatives Joseph McCarthy will meet again on Monday to discuss a bipartisan deal against as prior partisan terms from Republicans were considered as 'unacceptable'. The White House is not interested in cutting the whole budget spending wrath by 8%.

### GBPUSD

GBP/USD is oscillating above 1.2450 after a recovery move and is looking to extend its rally further as the Federal Reserve (Fed) is considering a pause in the policy-tightening spell amid tight credit conditions by the United States regional banks. The US Dollar Index (DXY) is hovering near its day's low around 103.00 as fears of a default by the US Treasury are escalating.

### USDJPY

The USD/JPY pair has dropped back to near the crucial support of 137.50 in the Asian session. The asset is expected to deliver more losses below the aforementioned support as a delay in the US debt-ceiling raise is creating chaos in global markets.

Fx rates	Last	High	Low	% Daily	% Weekly	% YTD
EUR-USD	1.0817	1.0830	1.0805	0.11	-0.52	1.05
GBP-USD	1.2453	1.2472	1.2440	0.06	-0.61	3.06
USD-JPY	137.81	138.03	137.50	-0.12	-1.23	-4.85
USD-CHF	0.8982	0.9014	0.8970	-0.17	-0.29	2.93
Commodities	Last	High	Low	% Daily	% Weekly	% YTD
Gold	1975.89	1982.36	1974.96	-0.10	-2.01	8.33
Silver	23.71	23.92	23.71	-0.59	-1.55	-1.01
Crude Oil	70.89	71.70	70.81	-0.92	-0.31	-11.61
Bitcoin	26751.13	26856.95	26544.57	-0.37	-2.15	61.74
Etherium	1803.28	1808.78	1792.31	-0.15	-1.28	50.35
Period	1 M	3 M	12 M			
USD LIBOR *	5.14	5.39	5.44			
EURIBOR	3.13	3.42	3.88			
* USD LIBOR rates will be discontinued after June 30, 2023 and will be replaced by SOFR						
Notes/Bonds	2 Y	10 Y	30 Y			
US	4.24	3.65	3.91			
BTP - BUND	0.69	1.84	2.03			
GILTS	3.96	4.00	4.41			

## INTERNATIONAL EQUITY MARKETS

(Sources: Bloomberg / Reuters)

### UNITED STATES OF AMERICA

U.S. stocks closed out the trading week on a soft note on Friday as early gains dissipated after U.S. debt ceiling negotiations in Washington were paused, denting optimism a deal could be reached in coming days to dodge a default.

### EUROPE

European stocks rose on Friday and Germany's blue-chip index hit a record high as hopes of progress in U.S. debt ceiling talks boosted risk sentiment, although negotiations appeared to have reached an impasse moments after markets closed.

### ASIA

Japan's Nikkei share average was trading flat on Monday, as investors sold stocks to lock in profits after the benchmark index scaled a 33-year high in the previous session, although a strong performance by insurers supported the market.

Index	Close	% Daily	% M	YTD	Futures	% Change
DJIA	33426.63	-0.33	-1.13	0.84	33476.00	-0.06
S&P	4191.98	-0.14	1.41	9.18	4204.50	-0.01
Nasdaq	12657.90	-0.24	4.85	20.94	13873.50	0.10
DJ EuroStoxx50	4395.30	0.64	-0.30	15.86	4398.00	0.05
FTSE 100	7756.87	0.19	-1.99	4.09	7787.50	0.13
CAC 40	7491.96	0.61	-1.12	15.73	7514.80	N/A
DAX	16275.38	0.69	2.48	16.89	16339.00	0.04
IBEX 35	9251.50	0.42	-1.74	12.42	9282.10	N/A
FTSE MIB	27520.33	1.05	-0.81	16.09	27279.00	N/A
Nikkei	30808.35	0.76	8.68	18.96	31060.00	0.45
Hang Seng	19450.57	1.32	-1.83	-0.37	19663.00	1.45
DFM General	3544.53	-0.31	2.12	6.25	N/A	N/A
MSCI Tadawoul	11341.82	-0.02	1.60	8.24	N/A	N/A
Leb. Mrkts	Closing Px	High	Low	% Daily	% Weekly	YTD
Solidere A	81.75	84.60	81.50	-3.08	0.49	34.24
Solidere B	82.05	83.00	82.00	1.93	2.05	35.96

## MUST READ

(Source: Bloomberg / Forexlive)

### A recession and a credit crunch could result in \$1T of corporate debt defaults

The impact of a recession and a credit crunch could be that \$1 trillion worth of corporate debt ends up defaulting, BoA credit strategists said. "It has been a long time since we had a proper credit cycle," Oleg Melentyev wrote, pointing to the credit cycles beginning in 1981, 2000, and 2007. Those cycles were upended by a dramatic tightening of credit conditions, leading the three-year default rate on US corporate debt to soar to around 15%. Melentyev said that a 15% default rate on corporate debt was a "distinct risk" as the US approaches a recession and credit gets tighter, though he believed a coming credit crunch will likely be less severe than what was seen during the Great Financial Crisis. "We think it is reasonable to argue that the next-3yr default cycle, whenever it starts, should add up to a lower peak," he said. That would still amount to an 8% corporate default rate in a full-blown recession, which could translate into \$920 billion of corporate debt defaults. That's largely because banks have already started to pull back on credit conditions since the collapse of Silicon Valley Bank. US debt growth has also pulled back in recent years, and a "full-scale" recession hasn't been officially declared yet, though Bank of America strategists have said a mild downturn could start this quarter. "If a full-scale recession doesn't arrive in the next year or two, the cycle will get delayed, but not canceled. For now, we continue to think that a mild/short recession is a more likely outcome than a full-scale one for the foreseeable future. Therefore, we assume a moderate pace of loss-gathering is already underway, but it has not yet reached a point of a lift-off to take us to 8% aggregate across all credit," he added. Markets are growing jittery over the prospect of a future downturn, with the New York Fed's US Recession Probability Index predicting a 68% chance that a recession will arrive by April 2024. The risk stems from the Fed aggressively raising interest rates over the past year to tame inflation.

## MAIN WEEKLY EARNINGS

(Source: Nasdaq)

Company	Ticker	Market Cap	Date	Time	Estimate	Year Ago
Heico Corporation	HEI US	\$24.4 B	22-May-23	After-mkt	0.72	0.62
Zoom Video Comi	ZM US	\$19.4 B	22-May-23	After-mkt	0.14	0.47
Palo Alto Network	PANW US	\$58.4 B	23-May-23	After-mkt	0.23	-0.20
NVIDIA Corporatic	NVDA US	\$72.5 B	24-May-23	After-mkt	0.61	1.18
Snowflake Inc.	SNOW US	\$55.8 B	24-May-23	After-mkt	-0.42	-0.52

## ECONOMIC CALENDAR

(Source: Forexlive)

- (23-05-23) FR- HCOB Manufacturing, Composite PMI MAY preliminar
- (23-05-23) DE- HCOB Composite, Manufacturing, Services PMI MAY preliminar
- (23-05-23) EA- HCOB Manufacturing, Composite, Services PMI MAR preliminar
- (23-05-23) GB- S&P Global/CIPS Services, Manufacturing, Composite PMI MAY
- (23-05-23) US- S&P Global Manufacturing, Composite, Services PMI MAY preliminar
- (23-05-23) US- New Home Sales MoM APR
- (24-05-23) GB- Retail Price Index APR; Consumer Price Index APR

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