

A first in 30 years: global bonds and equity markets in the red



By [Andre Cilliers](#)

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We end the first half of 2022 on a very somber note.



Source: 123RF

We are seeing global bonds and equity markets being in the red at the same time. This is very rare, and going back 30 years. There is a lot of talk about recessions looming around the corner, and for now, the pain is certainly not over. As the old saying goes: "the trend is your friend."

Furthermore, the main message coming out of the Central Bank Forum in Portugal is that Central Bankers see high inflation as the biggest threat to the global economy and that they are committed to raising rates to keep it under control despite the recessionary risks.

Fed chairman, Jerome Powell sounded increasingly hawkish and hinted at more proactive monetary policy actions giving rise to market concerns for more aggressive rate hikes at upcoming FOMC meetings.

The European Central Bank's Christine Lagarde also reaffirmed the ECB's stance by saying that the bank would not back down from low inflation targets.

Rand update

The risk aversion in markets due to global growth concerns driven by the very hawkish Fed and other central bankers has seen a flight to the safety of the dollar.

The rand weakened to R16.47, a level last seen in October 2020, as the dollar firmed against majors, with the Eskom problems just adding fuel to the fire.

For now, emerging market currencies are not the flavour of the month, and all the doom and gloom around could spell more trouble for our local currency.

Commodity update

Copper and aluminium extended declines yesterday.

Copper prices are down almost 20% in the second quarter, the biggest quarterly fall since 2011, after Covid lockdowns in China, and slowing economic growth saw a drop in demand.

OPEC+ members have agreed to increase output in August as previously planned, pushing oil prices lower.

Brent is currently quoted at \$108.33, while WTI is at \$105.40.

ABOUT ANDRE CILLIERS

Andre is the Currency Risk Strategist at TreasuryONE. Andre's career in treasury spans more than 30 years. He has gained his extensive currency risk experience in both the banking and corporate arena. Before joining TreasuryONE, Andre headed up the treasury department for a Tier One German international bank in South Africa.

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