

BANKING | CUSTODY | INVESTMENTS

SPARKASSE
Bank Malta plc

Private Banking

Market Updates

Year 2022



Global Equity Index	Var. % 2022
S&P500 (US)	-19.44%
Nasdaq (US)	-33.10%
EuroStoxx50 (EU)	-11.74%
FTSE 100 (UK)	+0.91%
MSCI Emerging Markets	-22.37%
MSCI ACWI Net Return EUR	-13.01%
Commodities	Var. % 2022
Crude Oil WTI	+6.99%
Gold	-0.19%
World Government Bonds	Var. in YTM % 2022
USD 2-Year Bond Yield	+3.69%
US 10-Year Bond Yield	+2.37%
Germany 2-Year Bond Yield	+3.37%
UK 2-Year Bond Yield	+3.03%

The above calculations have been done based on data sourced from Reuters. Prospective customers should not base their decision on investing solely on the indicated rate of return.

Important information

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Financial Markets in 2022 proved to be challenging with a variety of struggles experienced. Major contributors being: the continuation of the Omicron wave (COVID-19 variant), Russia's invasion of Ukraine, global energy crisis, significantly high inflation, rising interest rates and a slowdown in economic growth. Central banks drove monetary policy rates up in a strong effort to control the exponential inflation data. Thus, increasing bond yields, contracting economic activity and increasing the liquidity pressure on highly geared assets.

Stocks fell to end Wall Street's worst year since 2008, with the main indices, the S&P500 and NASDAQ, registering a -19.44% and -33.10% respectively. The US inflation rate peaked at a record of 9.1% in June of 2022, the highest since November 1981. Official data revealed a cool down in the second part of the year, registering a welcomed 7.1% in November. The FED (US Central Bank) raised its key interest-rate seven consecutive times in 2022 (March – December), bringing the fed funds rate to 4.25%-4.5%, pushing borrowing costs to the highest level since 2007. This was the fastest-ever recorded increase in interest rates by the FED.

Eurozone stocks registered a loss in 2022, where the main index registered a -11.74%. The ECB raised interest rates by 50bps during its July 2022 meeting. This was the first increase since 2011, ending eight years of negative interest rates, in an attempt to control the inflationary pressures. Subsequently the ECB registered a fourth rate increase since its July announcement, taking the deposit facility rate to 2%, the refinancing rate to 2.5% and the marginal lending to 2.75%, a level not seen in fourteen years. Policymakers indicated that rates are expected to rise further due to a substantial upward revision to the inflation outlook. Inflation rate in the Eurozone area was registered at 9.2% in December, down from 10.1% in November 2022.

Although the majority of the global markets declined substantially in 2022, UK equity indices were more resilient, with the FTSE100 registering a positive performance of 0.91% for the year, outpacing the US and its European peers. The BOE was the first Central Bank to start implementing interest-rates hikes, ending the year with a further 50bps increase to a 3.5% base rate in its December announcement. The UK registered a 10.7% annual inflation rate in November of 2022, down from 11.1% in October which was the highest since October 1981.

Emerging market stocks experienced a rough 2022, with high inflation, a strong dollar, and volatile commodities markets all weighing on growth. The MSCI Emerging markets registered a -22.37% as at end of the year 2022.

In 2022 the global bond market went through a huge resetting of interest rates. Setting into the year, short-term interest rates were still near the pandemic-era low of close to zero. In an effort to curb high inflation, Central Banks substantially increased interest rates, which brought forward a price correction in the global bond market.

