

MARKET UPDATE

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Fraying central bank consensus spurs dollar and market stress

The highest inflation in decades is unravelling whatever policy consensus there was between the world's major central banks since the Great Financial Crisis and global markets could buckle under resulting waves of stress and volatility

A turbo-charged dollar, which often both reflects and fuels financial market stress, risks a vicious cycle as a scramble for dollars intensifies, tightens global financial conditions and increases volatility.

Fed expected to step up inflation fight with big rate hike

The Federal Reserve on Wednesday is expected to raise interest rates by half of a percentage point and announce the start of reductions to its \$9 trillion balance sheet as U.S. central bankers intensify efforts to bring down high inflation.

Fed policymakers have widely telegraphed a double-barrelled decision that would lift the Fed's short-term target policy rate to a range between 0.75% and 1%, and set in motion a plan to trim its portfolio of Treasuries and mortgage-backed securities (MBS) by as much \$95 billion a month.

HSBC, Ping An executives plan meeting to discuss breakup proposal

Top executives of HSBC and Ping An will meet in mid-May to discuss the Chinese insurer's proposal that HSBC should explore options including spinning off its Asian business, a source familiar with the matter said on Wednesday.

Ping An, London-headquartered HSBC's biggest shareholder, last week called on HSBC to look at ways to boost its returns.

The source declined to be identified due to the sensitivity of the situation. Ping An and HSBC did not immediately respond to Reuters request for comment.

ECB's Schnabel Says Rate Hike Possible in July, Rates Still Far from Neutral

Another of the European Central Bank's top executives opened the door to a first interest rate hike in July and warned that more will be necessary to stop inflation becoming entrenched in the Eurozone.

Isabel Schnabel, a member of the ECB's six-person board at its Frankfurt HQ, told the German newspaper Handelsblatt that: "From today's perspective, a rate increase in July is possible in my view," owing to the fact that inflation has started to spread more broadly through the economy. Core inflation, excluding volatile food and energy prices, rose to 3.5% in April, according to Eurostat.

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