

Daily Update

Your daily market news, moves
and outlook



Wednesday, 22nd of September

Markets Outlook

Equities: Asian equities were mixed overnight but mostly stabilizing from their sell-off earlier in the week, European markets moving higher again this morning with the main indices between 0.6% and 0.9% higher on the session so far. Futures in the States are roughly half a percent higher at the time of writing, the benchmark S&P500 now just over 4% below its all-time high reached a few weeks ago. The VIX volatility index has moved lower again on Wednesday, now at \$22.90. We expect risk assets to remain quiet throughout the day until we get further clarity from the Fed this evening on the speed and size of their asset purchase tapering.

Currencies: Dollar pairs are seeing very quiet trade on lower volatility this morning, as expected as we enter a quiet few hours before the Federal Reserve's announcement later today. EUR/USD remains near the bottom of its year-long range, just above 1.173 on Wednesday morning.

Safe-havens: Gold has recovered most of last week's losses, the metal 1.4% higher over the past three sessions. Gold volatility may pick up late today in line with FX volatility should we see something unexpected from the Fed. Treasuries are stable and quiet ahead of the release, US 10yr currently yielding 1.33% - in line with yesterday.

Looking ahead: The main risk event of the week is this evening at 7pm Dublin time, and will involve the Federal Reserve releasing their latest rate decision and monetary policy statement, along with a set of updated interest rate and economic forecasts. Thursday is also set to be busy for markets, SNB and BOE rate decisions will take place throughout the European session, while we will also see PMI releases from the Eurozone, the UK, and then US during the afternoon. Tomorrow we are due to see earnings results from Costco and Nike.

Key Events to Watch

22/09/2021 - Fed Rate Decision

23/09/2021 - European PMIs

23/09/2021 - BOE Rate Decision

24/09/2021 - Fed Chair Powell speaks

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,354	-0.08%	15.92%
DAX	15,348	1.43%	12.41%
EuroStoxx	4,097	1.33%	16.28%
ISEQ	8,639	0.47%	19.75%
FTSE	6,980	1.12%	9.09%
Nikkei 225	29,639	-0.67%	8.00%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1723	-0.02%	-3.96%
EUR/GBP	0.8580	-0.03%	-3.73%
GBP/USD	1.3659	0.01%	-0.20%
USD/CHF	0.9233	-0.46%	4.35%
USD/JPY	109.21	-0.16%	6.02%
EUR/JPY	128.03	-0.18%	1.81%

Fixed Income	Value	Daily Change
US 10yr	1.328	0.016
US 2yr	0.217	0.002
German 10yr	-0.318	0.007
Irish 10yr	0.066	-0.012
UK 10yr	0.805	0.010
Japanese 10yr	0.032	0.000

Financial News Round Up

Fed Preview

The Federal Reserve will keep its 'Fed funds target range' between 0-0.25% this evening during its latest monetary policy release, and will most likely maintain monthly asset purchases at \$120 billion per month despite decent activity data and elevated inflation readings that are running well in excess of the central bank's 2% target.

Most market participants are now expecting the Fed's QE taper announcement to come at their November meeting, with this evening representing a chance for the US central bank to start preparing markets for such an announcement. It looks likely that the Fed will start small, initially reducing purchases by either \$15b or \$20b per month. We expect Powell to emphasise that the decision to taper is completely separate from any decision to hike rates, and that there will be no automatic path to higher interest rates. On the topic of interest rates: investors tonight will pay close attention to the Fed's so-called 'dot plot', which shows individuals policymakers' forecasts for rates in the years ahead. According to the Fed's latest dot plot, 7 out of 18 voting members of the Fed are expecting rate increases to begin at some stage in 2022, with the median being 2023.

Following the release at 7pm, we will see the usual press conference held by the Fed Chairman Jerome Powell about 30 minutes later. Powell undoubtedly faces a difficult task today, where his communication skills will be put to the test, especially with US President Joe Biden currently considering his reappointment.

Evergrande Update

Investor fears have been soothed somewhat, as China Evergrande Group's main unit said overnight that it would make an interest payment on its domestic bonds tomorrow. The unit, Hengda Real Estate Group, stated that it would make the payment on its 5.8% September 2025 bond on time (total of 232 million Yuan: \$35.88m equivalent), this positive announcement coming ahead of Evergrande's deadline next week for an interest payment on a dollar-denominated bond.

DraftKings

American betting operator DraftKings has officially made a takeover proposal for British firm Entain, valuing the gambling firm at \$22.4 billion. DraftKings will reportedly offer £28 per share for Entain, equating to an over 46% premium to Entain's Monday closing price. Entain has previously rejected an offer from DraftKings to acquire the company for £25 per share.

We remember that Entain also rejected a bid from the US 'MGM Resorts' at the start of the year, for a reported \$11b, which the British company saw as an undervaluation. Many analysts now expect MGM to return with a new bid in the wake of this week's news, and after it has accumulated more cash in recent months.