

Daily Update

Your daily market news, moves
and outlook



Thursday, 23rd of September

Markets Outlook

Equities: European equities have opened stronger yet again this morning, having now undone all of last week's losses in most cases, the main indices on the continent roughly 1% higher at the time of writing despite Eurozone PMIs coming in below expectations this morning. The FTSE100 index is half a percent higher on Thursday morning, the BOE is expected to leave key policy settings unchanged today, with its bank rate at a record low of 0.10% and its QE target at £895b. Concerns have been eased somewhat this week around Evergrande and its massive debt, the VIX is lower again this morning, currently at \$19.25.

Currencies: The US Dollar is easing lower this morning, the DXY (Dollar index) coming off a one-month high yesterday of 93.51 as traders continue to digest last night's Fed release and what it means for future monetary policy. EUR/USD is slightly stronger today at 1.173, albeit still at the bottom of its year-long range from about 1.17 - 1.20. GBP/USD (cable) similarly is slightly stronger on the session so far, the Bank of England due to report at midday.

Safe-havens: Gold has moved slightly higher on the week so far, having shown some choppy trade in the wake of the Fed release last evening. The metal continues to trade below \$1,775 on Thursday. Treasuries have been very quiet since the Fed, the benchmark 10yr still yielding around 1.34% today.

Looking ahead: At midday we are due to hear from the Bank of England with regard to their latest rate and monetary policy decisions, followed by the release of Services and Manufacturing PMIs from the States this afternoon. Looking to tomorrow: we will see German Business Climate data in the morning, and the Fed Chair J. Powell will speak at 3pm Irish time. This weekend will see Federal Elections take place in Germany.

Key Events to Watch

23/09/2021 - BOE Rate Decision

23/09/2021 - US PMIs

24/09/2021 - Fed Chair Powell speaks

26/09/2021 - German Federal Elections

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,395	0.95%	17.03%
DAX	15,506	1.03%	13.77%
EuroStoxx	4,150	1.29%	17.86%
ISEQ	8,814	2.02%	20.19%
FTSE	7,083	1.47%	9.96%
Nikkei 225	29,639	(Closed)	8.00%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1686	-0.32%	-4.11%
EUR/GBP	0.8574	-0.07%	-3.92%
GBP/USD	1.3625	-0.25%	-0.16%
USD/CHF	0.9261	0.30%	4.54%
USD/JPY	109.78	0.52%	6.54%
EUR/JPY	128.29	0.20%	2.16%

Fixed Income	Value	Daily Change
US 10yr	1.304	-0.024
US 2yr	0.240	0.023
German 10yr	-0.327	-0.009
Irish 10yr	0.067	0.001
UK 10yr	0.799	-0.006
Japanese 10yr	0.032	(Closed)

Financial News Round Up

Federal Reserve Yesterday

Markets have been calm and investors have reacted well to last night's FOMC release, as volatility falls in the aftermath of the potential risk event and equities continue higher. The central bank opted to leave policy settings unchanged, as was widely expected, and also decided not to officially announce the beginning of their asset-purchase tapering. However, on the topic of tapering, the Fed did state that "a moderation in the pace of asset purchases may soon be warranted", with Chairman Jerome Powell adding that board members believed tapering could conclude around the middle of next year, opening the way for interest rate hikes after that.

Nine of eighteen Federal Reserve officials are now expecting an interest rate increase in the States next year, according to the projections released last night, with the remaining nine forecasting a later increase. This compares to the Fed's June meeting when seven officials were expecting rate hikes in 2022.

Powell stated that "My own view is that the 'substantial further progress' test is all but met" during his post-release press conference last night, referring to the central bank's employment goal. The Chairman went on to add that the bank could "easily move ahead" with an announcement of the taper at its next meeting in November.

The Fed has a dual mandate of low unemployment and a 2% average inflation rate, and as we know the inflation target has already been met this year, as consumer demand increases as we emerge from the pandemic and supply chain bottlenecks also come into the equation.

PMIs This Morning

Business activity across Europe and the UK continued to grow this month, with each of the main nations' services and manufacturing PMI readings coming in above the 50.0 expansionary/contractionary border. However, we must point out that activity grew at its slowest pace in five months during September, as certain regions saw consumer demand get affected by Delta variant concerns and shutdowns.

The Eurozone as a whole saw a manufacturing result for the month of 58.7, versus 60.4 forecasts and August's 61.4. This reading has steadily fallen from June's 63.1. In terms of services, the bloc saw a result of 56.3, coming in well below the 58.4 estimates and last month's 59.0. The UK's manufacturing PMI came in at 56.3 vs 59.0 forecasts, while services were 54.6 vs 55.0.

Corporate Tax

Minister for Finance Paschal Donohoe has spoken with the US Treasury Secretary and former Fed Chair Janet Yellen about the OECD process which aims to reform global corporation tax rules. "The ultimate ambition for us all is to arrive at an equitable agreement which gives certainty and stability in the international tax framework. Ireland will continue working towards achieving that goal" stated Donohoe. Yellen reportedly showed appreciation for Ireland's constructive participation in the talks, emphasising the goal of stabilising the international tax system through this once in a generation opportunity offered by the OECD Inclusive Framework.