

Daily Update

Your daily market news, moves
and outlook



Friday, 1st of October

Markets Outlook

Equities: Stock markets have opened lower in Europe this morning as the new month and quarter get underway, the main indices roughly 0.90% lower on the session so far. Equities in Europe lost about 3.5% of their value during September, while the S&P 500 was down almost 5%. Concerns have continued to grow over a more hawkish Federal Reserve, persistent inflation, rising bond yields, Evergrande missing bond payments, and slowing global growth. The VIX is up to \$24.10 on Friday morning.

Currencies: The Dollar has strengthened this week as traders price in a more hawkish Federal Reserve relative to most other central banks. The Dollar index traded as high as 94.52 on Thursday, its highest price since this week last year. Dollar traders will be closely watching this afternoon's US inflation reading, and next Friday's US jobs data, for any clues as to the speed or start date of the Fed's QE tapering.

Safe-havens: Bonds have taken a breather over the past couple of days, after seeing sharp moves higher in their yields earlier in the week. US 10yr yield moving slightly lower this morning to 1.49%, German 10yr to -0.24%.

Looking ahead: This afternoon all eyes will be on the US Core PCE inflation release, with 3.6% y/y and 0.2% m/m expected. We are also due to get Manufacturing PMI results out of the US during the afternoon session. The highlight next week in terms of economic data will be Friday's US Non-Farm Payrolls figure and Unemployment Rate - strong data would likely give the Fed the green light to begin tapering soon.

Key Events to Watch

01/10/2021 - US Core PCE Inflation
01/10/2021 - US Manufacturing PMI
05/10/2021 - US Services PMI
08/10/2021 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,307	-1.19%	14.68%
DAX	15,260	-0.68%	10.22%
EuroStoxx	4,048	-0.79%	13.00%
ISEQ	8,402	-0.87%	12.74%
FTSE	7,086	-0.31%	8.89%
Nikkei 225	28,771	-2.31%	4.83%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1581	-0.12%	-5.18%
EUR/GBP	0.8594	-0.45%	-3.65%
GBP/USD	1.3472	0.37%	-1.57%
USD/CHF	0.9315	-0.35%	5.29%
USD/JPY	111.27	-0.62%	7.79%
EUR/JPY	128.86	-0.74%	2.19%

Fixed Income	Value	Daily Change
US 10yr	1.492	-0.032
US 2yr	0.281	-0.012
German 10yr	-0.205	0.008
Irish 10yr	0.199	0.009
UK 10yr	1.037	0.044
Japanese 10yr	0.047	-0.007

Financial News Round Up

Eurozone Inflation

This morning we got the release of Eurozone inflation readings for September, the figure reaching a 13-year high for the region. Consumer price inflation rose by 3.4% last month when compared with the same time last year, and came in ahead of forecasts for 3.3% and vs August's 3.0%. This was the Eurozone's highest result since September 2008, with many analysts attributing much of the rise to higher energy prices (17.4% higher y/y). For now, the ECB is sticking with its views that inflation will be temporary and will linger below its 2% target in 2022 and maybe even for years to come. Although they are recently beginning to get slightly more nervous about inflation, ECB policymakers will likely err on the side of caution after the central bank undershot its inflation target for almost 10 years.

The 'Core CPI' figure for the 19-nation group, which records the same data minus food, energy, alcohol, and tobacco, came in in-line with forecasts at 1.9% y/y and versus August's 1.6%.

All eyes will now be on the US' inflation results this afternoon, due at 1:30pm Irish time. The 'Core PCE' figure (which is the Fed's preferred inflation metric) is expected to come in at 0.2% m/m vs the previous 0.3%, and 3.6% y/y versus the previous 3.6%.

US Politics

After a busy day of negotiations on Thursday, Democrats in Congress have decided to postpone what would be a make-or-break vote on Joe Biden's \$1.2 trillion bipartisan infrastructure bill. This deferral is undoubtedly a blow to the White House as divisions within the president's party threaten to block his legislative agenda.

"A great deal of progress has been made this week, and we are closer to an agreement than ever" said White House press secretary Jen Psaki, "But we are not there yet, and so, we will need some additional time to finish the work, starting tomorrow morning first thing."

We remind readers that lawmakers in the US are also still at odds over Biden's massive \$3.5 trillion bill which aims to expand the nation's social safety net and also combat climate change.

We also note that the issue of the nation's debt ceiling remains unresolved, Treasury Secretary Yellen warning earlier this week that the government essentially risks running out of money by October 18th should the ceiling not be raised.

Greencore Group

Irish-based food company Greencore Group plc has today released a trading update for its fiscal Q4 and full year which ended on September 24th, indicating that revenues climbed 27% when compared with the same quarter last year and up 1% vs Q4 2019. For its full-year, Greencore are expecting £1.32b in revenue, with adjusted operating profits towards the upper end of its previous guidance of between £36, - £40m.

The shares are 3.5% lower this morning in London, having lost half a percent last month and still trading over 17% higher YTD so far. The stock is currently trading at a FY22 P/E of 14 times, a circa 8% premium to its 2019 levels.