

Daily Update

Your daily market news, moves
and outlook



Friday, 8th of October

Markets Outlook

Equities: The main indices are flat to slightly lower across the continent this morning, as traders take profits and await further clarity from the US jobs market, which should come from this afternoon's data releases. Markets on mainland China reopened overnight after a week of holidays, and are modestly higher. The VIX is marginally higher on Friday to \$19.72. Equity investors will continue to watch oil prices and inflation expectations, for any idea as to whether the Fed may have to tighten sooner than expected or not.

Currencies: The Dollar is slightly lower on Friday morning after what has been a strong few weeks for the safe-haven currency. EUR/USD and GBP/USD are higher on the session to 1.157 and 1.363 respectively. A beat of expectations in today's US jobs data could pave the way for a stronger Dollar as investors price in an almost certain Fed tapering this year and possible rate hikes in 2022.

Safe-havens: Gold is still trading flat on the week around the \$1,760 mark, while Treasuries in the US continue to sell off. The benchmark US 10yr yield reached 1.6% this morning for the first time since May, while Germany's 10yr yield has now risen to -0.15% from -0.50% less than 2 months ago.

Looking ahead: The highlight of the week is due today at 1:30pm Dublin time, in the form of the US' Non-Farm Payrolls release. +490k jobs are expected for the NFP result, with an unemployment rate of 5.1%. Earnings season kicks off in the States next week with Procter & Gamble due to release on Tuesday. On Wednesday and Thursday we will see the big US banks starting to release, JP Morgan Chase, BlackRock, and also Delta Airlines on Wednesday, with Bank of America, Wells Fargo, Morgan Stanley, Citigroup, US Bancorp and also UnitedHealth all reporting on Thursday. Goldman Sachs and Honeywell will follow next Friday.

Key Events to Watch

08/10/2021 - US Non-Farm Payrolls
11/10/2021 - US Bank Holiday
12/10/2021 - Eurozone Economic Sentiment
13/10/2021 - US CPI Inflation

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,399	0.83%	17.14%
DAX	15,250	1.85%	10.79%
EuroStoxx	4,098	2.14%	15.04%
ISEQ	8,469	1.08%	14.25%
FTSE	7,078	1.17%	9.73%
Nikkei 225	28,048	1.34%	2.20%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1550	-0.05%	-5.45%
EUR/GBP	0.8480	-0.33%	-4.85%
GBP/USD	1.3617	0.27%	-0.60%
USD/CHF	0.9289	0.18%	5.07%
USD/JPY	111.59	0.16%	8.45%
EUR/JPY	128.89	0.11%	2.55%

Fixed Income	Value	Daily Change
US 10yr	1.576	0.048
US 2yr	0.309	0.012
German 10yr	-0.188	-0.008
Irish 10yr	0.203	-0.010
UK 10yr	1.085	0.014
Japanese 10yr	0.078	0.002

Financial News Round Up

US Jobs Data

At 13:30 Dublin time today we are due to get some highly anticipated monthly jobs data from the United States, which will come in the form of both Non-Farm Payrolls (NFP) and the nation's Unemployment Rate. The NFP figure measures the change in the number of employed Americans during the previous month, excluding industries such as farming and the military. This is usually an important release for markets, due to its earliness and also the fact that half of the Fed's mandate is to achieve strong employment in the US.

Markets are expecting circa 490k jobs to have been added in the US during September, this comes after August's 235k which was a significant miss of the expectations for 720k at the time. This strong result is expected as more individuals returned to the workforce as new Covid infections slowed across the country and other pressures on the labour market at least temporarily abated. Should we see a positive NFP result later today, this will represent the US' ninth consecutive month of net payroll gains. However, we point out that total employment is yet to reach pre-pandemic levels.

On top of falling infection rates last month, there are some other reasons why this could be a robust jobs figure today. Federal enhanced unemployment benefits expired nationally on the 6th of September, while schools and daycares resumed in-person operations which will have alleviated some of the child-care burdens that had kept others out of the workforce over the course of the pandemic.

The US is expected to see an Unemployment Rate result later today of 5.1%, versus August's 5.2%.

Global Corporation Tax

It is looking like the OECD will announce a revised Framework Agreement today in Paris around the global corporate tax reform, the new deal seeing large multinational firms pay a minimum global rate of 15%.

It is important to note that deal will comprise of two parts: the first allowing for a proportion of profits from revenues generated by multinationals to be taxed in countries where those sales were made. The second part specifies that a global minimum effective corporation tax rate of 15% will now apply to the profits of companies with sales in excess of €750m. Domestically, this will apply to 56 Irish firms and 1,500 foreign multinationals who employ roughly half a million workers. Other companies will still pay at the existing 12.5% corporate tax rate here.

We note that the new system will take place from 2023 onwards, which Minister for Finance Paschal Donohoe has called "a very ambitious deadline".