

Daily Update

Your daily market news, moves
and outlook



Tuesday, 12th of October

Markets Outlook

Equities: Each of the main equity indices across Europe and the UK are down by about half a percent on Tuesday after a mixed session yesterday. Fears about increasing commodity prices hampering a recovery in corporate profits are in the minds of investors, along with the fact that Evergrande missed another bond payment this week. VIX at \$19.80 today.

Currencies: The Dollar has been flat to marginally stronger so far this week, with the Dollar Index at 94.31 and Euro at \$1.156 on Tuesday morning. The world's reserve currency remains to be supported by increasing and positive Treasury yields, along with high demand from commodity buyers. Sterling is little changed this morning, after strong jobs data from the UK earlier today.

Safe-havens: Yields in the US and Eurozone are flat to marginally lower on Tuesday, after once again touching multi-month highs yesterday as expectations for high-for-longer inflation persist on the back of soaring oil prices. US 10yr now at 1.62%, German 10yr at -0.11%. Gold continues to trade sideways just below \$1,760 as traders await US inflation data tomorrow and weigh up rising energy and falling bond prices, with higher inflation.

Looking ahead: This afternoon we will hear from a couple of Fed speakers, in what is otherwise set to be a relatively quiet afternoon. Tomorrow after lunch the US will release CPI inflation data for September, and this will be followed by the release of the Fed's most recent meeting minutes. Investors await the beginning of Q3 earnings season, due to be kicked off tomorrow by BlackRock, JP Morgan Chase, and Delta Airlines to name a few. Thursday will be busy for earnings results, we will hear from Citigroup, Wells Fargo, Morgan Stanley, Walgreens, UnitedHealth Group, and Bank of America.

Key Events to Watch

13/10/2021 - US CPI Inflation

13/10/2021 - Fed Meeting Minutes

15/10/2021 - US Retail Sales

18/10/2021 - Chinese GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,361	-0.69%	16.11%
DAX	15,199	-0.05%	9.96%
EuroStoxx	4,072	-0.02%	13.67%
ISEQ	8,374	-0.55%	12.68%
FTSE	7,146	0.72%	9.80%
Nikkei 225	28,230	-0.94%	2.87%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1551	-0.13%	-5.34%
EUR/GBP	0.8495	0.02%	-4.74%
GBP/USD	1.3595	-0.15%	-0.59%
USD/CHF	0.9275	-0.05%	4.70%
USD/JPY	113.30	0.91%	9.70%
EUR/JPY	130.87	0.79%	3.86%

Fixed Income	Value	Daily Change
US 10yr	1.628	0.016
US 2yr	0.354	0.034
German 10yr	-0.118	0.029
Irish 10yr	0.261	0.028
UK 10yr	1.190	0.027
Japanese 10yr	0.087	0.000

Financial News Round Up

Irish Budget

This afternoon we are due to see the Minister for Finance Paschal Donohoe and Minister for Public Expenditure and Reform Michael McGrath announce the Budget for 2022. We are expecting to see a €4.7 billion package, which includes €1b in new spending and half a billion euro in tax cuts.

In terms of welfare, weekly payments are expected to increase by €5, as are weekly fuel allowances. Other welfare payments such as the jobseekers payment and maternity benefit will also increase by the same amount from January on. A double payment of welfare allowances at Christmas is expected to be agreed upon, while back-to-school allowance is set to be boosted by €10. We will also see the State pension expanded by €5 per week.

Interestingly, carbon tax will rise by €7.50 per tonne as part of the country's efforts to cut down greenhouse gas emissions by 7% a year. This should equate to roughly €1.28 extra per 60 litre tank of petrol and €1.48 for diesel, and will come into effect from midnight tonight as opposed to the start of next year.

Evergrande

The China Evergrande Group has missed another round of bond payments, it has emerged overnight. Some bondholders said they did not receive coupon payments totalling \$148m on Evergrande's April 2022, April 2023, and April 2024 notes which were due in the early hours of this morning. Importantly, this follows two other missed payments with regard to the firm's overseas dollar-denominated bonds last month.

The developer's liquidity crunch has caused major concern over the health of the wider Chinese property sector, as sales slow down and Beijing presses developers to reduce debt, as many of Evergrande's peers also approach default.

last week we saw Chinese luxury developer Fantasia default on a \$206m bond. In addition, Sinic Holdings, another peer of Evergrande, stated yesterday that a default on its bond payments due this month will "likely occur" as the firm is currently running low on "financial resources".

EasyJet

British multinational budget airline EasyJet has stated that it will fly 70% of its pre-pandemic numbers in the October to December period, stronger than it had planned for just last month.

"We are encouraged to see positive booking momentum into full-year 2022 which has led us to increase our capacity plans" said CEO Johan Lundgren this morning.

The airline's upbeat tone and fresh outlook represents a turnaround from last year when intermittent restrictions led EasyJet to an expected loss of between £1.135b - £1.175b for the year ending September.