

Daily Update

Your daily market news, moves
and outlook



Thursday, 25th of November

Markets Outlook

Equities: Stock markets are moving higher in Europe on Thursday morning and looking to make up some ground from the relatively volatile sessions of the past two days. New Covid restrictions have been in the headlines this week across the continent, striking some slight fear into investors. On this note, the EMA could decide today on recommending vaccines for children from 5 years. The US finished the session yesterday mostly higher, after the Fed's meeting minutes last night showed no major surprises. Markets in the region will remain closed throughout the day in observance of the Thanksgiving holiday, volumes will likely be lower in Europe. The VIX closed at \$18.58 last night.

Currencies: Euro and Sterling were both on the back foot once again on Wednesday, the currencies trading as low as 1.1185 and 1.3316 against the dollar, respectively, before bouncing slightly this morning. The Dollar has been supported by a number of factors over the last month, and most recently by the Fed's minutes last evening which pointed to the potential of a faster tapering pace. US inflation also came in as expected yesterday at a y/y result of 4.1%, helping to keep USD bid.

Safe-havens: Yields curves flattened in the US yesterday as some traders interpreted the Fed minutes as slightly hawkish, the US 10yr-2yr interest rate spread falling to just 1.00%. Gold prices were fairly subdued as inflation came in in-line with forecasts, the metal almost half a percent stronger to \$1,793 on Thursday.

Looking ahead: Volumes and volatility will be well below the average today and tomorrow as most American traders are away from their desks. Thanksgiving takes place in the States today, with US markets remaining shut, and only opening for limited hours tomorrow. The ECB's October meeting minutes will come available today, we will also see Christine Lagarde and BOE Governor Bailey both speaking later on. Swiss GDP will be released tomorrow morning in what is an otherwise quiet schedule.

Key Events to Watch

25/11/2021 - US Thanksgiving Holiday
25/11/2021 - ECB Meeting Minutes
29/11/2021 - German CPI Inflation
30/11/2021 - Chinese Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,701	0.23%	25.17%
DAX	15,878	-0.37%	15.70%
EuroStoxx	4,276	-0.18%	20.40%
ISEQ	8,190	-0.64%	11.03%
FTSE	7,286	0.27%	12.78%
Nikkei 225	29,499	0.67%	7.49%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1197	-0.44%	-8.17%
EUR/GBP	0.8398	-0.07%	-5.89%
GBP/USD	1.3325	-0.37%	-2.38%
USD/CHF	0.9345	0.17%	5.37%
USD/JPY	115.41	0.25%	11.73%
EUR/JPY	129.22	-0.19%	2.60%

Fixed Income	Value	Daily Change
US 10yr	1.643	-0.033
US 2yr	0.644	0.030
German 10yr	-0.219	0.009
Irish 10yr	0.271	0.053
UK 10yr	1.014	0.018
Japanese 10yr	0.078	-0.004

Financial News Round Up

US Data Yesterday

Wednesday was a busy day in terms of economic data points, especially for the United States, albeit with no major beats or misses of analysts' prior expectations. Firstly, we got a third-quarter GDP result from the nation, which came in at a reading of 2.1% q/q versus consensus expectations for 2.2% and the earlier preliminary report for 2.0% in Q3. This, while it is a lagging indicator and is for the July-September period, is still the broadest measure of economic activity and is often the primary gauge of the economy's health. This result also represents a substantial yet expected slowdown in growth for the United States, who experienced a reading of 6.7% during Q2.

The second piece of data from the region yesterday came in the form of the 'Core PCE' inflation result, which was in line with expectations at 0.4% m/m for October and 4.1% y/y. Similar to what we saw from the country's CPI inflation results earlier this month, this year-over-year figure is the US' strongest since the early 1990s. Market participants will have noticed this month that the Fed seems to be coming around to the idea that inflationary pressures are lasting longer than it had previously envisaged, with Core PCE at 3.7% y/y during September and 3.6% for the preceding three months.

German Economy

Germany's DAX40 equity index is roughly 0.30% higher on Thursday morning, broadly in line with the rest of mainland Europe after the country saw the release of its own consumer sentiment data earlier today.

The 'GfK Consumer Climate' figure, which measures sentiment from the current month, registered a -1.6 result vs estimates for -1.0 and the prior month's 1.0. This is the region's lowest result since June, albeit much improved on the first five months of the year. Germany also saw the release of its 'Final GDP' figure for Q3, coming in 0.1% below expectations at 1.7% q/q. This 'Final' data point is the second of two GDP releases for the named quarter and therefore has a limited impact on financial markets.

It has been a busy week for the nation, who saw the formation of a new governing coalition - coming after months of negotiations. The Social Democrats, the Greens, and the Free Democrats agreed a coalition deal yesterday that will result in the Social Democrats' Olaf Scholz replacing Angela Merkel as Chancellor after her 16 years in charge.

All the while, Germany continues to make global headlines for its current struggle with Covid-19, the nation is in the midst of a significant fourth wave with a 7-day moving average of almost 54,000 cases. Scholz stated yesterday that vaccinations will be made compulsory for targeted groups in Germany, while further additional measures may also be required to tackle the latest surge. Elsewhere, Austria implemented a full lockdown earlier this week, with France and the Netherlands now expected to follow in Italy's footsteps and introduce new measures by tomorrow.