

Friday, 10th of December

Markets Outlook

Equities: European equity markets have opened broadly lower, tracking weakness across Asian markets. Japan the main laggard with the Nikkei (1%) finishing near intraday lows. Growth stocks underperformed versus value following relative weakness in US tech overnight. Elsewhere, Fitch cut Evergrande to restricted default over two missed coupon payments following expiration of a 30-day grace period. Kaisa another Chinese property company was also cut to restricted default, though the company is in talks about an NDA with bondholders that could pave way for potential financing deal. Importantly the Chinese authorities' are adamant the situation will be contained with PBOC Governor Yi saying that the situation will be dealt in market-oriented way. Markets have also largely shrugged off uncertainty with China junk bonds holding onto recent gains. In Europe, it's relatively quiet with focus on Covid dynamics as well as French politics. While in the UK, the FT reports PM Boris Johnson is facing a major Conservative rebellion over Covid-19 restrictions next week. At the same time the UK market is weaker on disappointing UK GDP numbers ahead of the release of key US inflation data.

Currencies: The dollar held its ground on Friday as traders prepared for U.S. inflation figures later that could cement the course of interest rate rises next year, while the Chinese yuan regained its footing after a big tumble in the previous session. The euro, seen as vulnerable to a Federal Reserve hike especially if European rate rises lag, dropped 0.4% on Thursday and was steady at \$1.129 in early European trading - still not far from its 2021 low of \$1.1186. The dollar index nudged higher to 96.255 and was headed for its seventh consecutive weekly rise ahead of the data, which is due at 1330 GMT. Annual price gains of 6.8% are expected and any upside surprise will be interpreted as a case for a faster Fed taper and rate rises sooner. U.S. consumer confidence data is also due today, and if it holds up could portend more price pressures ahead.

Safe-havens: Gold was up on Friday morning in Asia, but set for a fourth consecutive weekly fall. Investors kept moves small, however, ahead of U.S. inflation data that could impact the Federal Reserve's next monetary policy move. Gold futures inched up 0.10% to \$1,778.55 but down 0.4% in the week.

Key Events to Watch

- 10/12/2021 - UK GDP
- 10/12/2021 - US CPI
- 10/12/2021 - US consumer confidence
- 15/12/2021 - Fed Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,667	-0.72%	24.26%
DAX	15,639	-0.30%	14.00%
EuroStoxx50	4,208	-0.59%	18.46%
ISEQ	8,189	-0.40%	9.93%
FTSE	7,321	-0.22%	13.32%
Nikkei 225	28,587	-0.49%	4.15%

FX			
EUR/USD	1.1298	0.06%	-7.49%
EUR/GBP	0.8538	-0.01%	-4.37%
GBP/USD	1.3232	0.10%	-3.32%
USD/CHF	0.9235	0.04%	-7.03%
USD/JPY	113.42	-0.01%	9.87%
EUR/JPY	128.15	0.04%	1.63%

Fixed Income		
US 10yr	1.492	0.005
US 2yr	0.698	0.012
Bund 10yr	-0.353	-0.006
Irish 10yr	0.064	-0.015
Gilt 10yr	0.762	0.007
JGB 10yr	0.042	-0.007

Financial News Round Up

Economic data & Inflation

US inflation is expected to hit its highest level in nearly 40 years later today. November's reading is forecast to be in the region of 6.9%, which compares with 6.2% the previous month and will add to pressure on the US Federal Reserve to go faster in withdrawing its post-pandemic economic support. Markets will be very focussed on this around lunchtime with the US consumer sentiment index data also out. The inflation jitters will mean a risk-averse session for investors in London, having recouped Omicron-fuelled losses earlier in the week. Separately, there was early pressure on sterling today after the latest reading on UK GDP showed growth of 0.1% month-on-month in October, which fell well short of economists expectations for a figure of 0.4%. In contrast in an EY economic report they have highlighted that Ireland's economy ends 2021 on a stronger platform for growth than was projected, despite the headwinds of the past 21 months. The report reveals a remarkable labour market performance and stronger than expected tax receipts which reflect a combination of swift policy response and a resilient and adaptable business base. The report finds the headwinds of prices and labour shortages are partly a function of the resilience of the Irish economy, but they are likely to dampen growth somewhat. EY expects inflation to average 3.3% in 2022, and to remain above the low levels experienced in the last five years thereafter. In a higher inflation scenario, EY projects inflation of 4.5% in 2022 and a long-term rate of 3.0%. This scenario assumes the recent trend of elevated prices continues into the first half of 2022, with sustained wage inflation, higher energy prices and an increased costs of consumer goods due to new standards and policies. Elsewhere, Davy Stockbrokers has revised upwards its forecast for Irish GDP growth to 15.5% in 2021 and 6.7% in 2022 due to a buoyant multinational sector and a strong rebound in domestic activity. The stockbrokers had previously predicted growth of 10% for this year and 5.6% for 2022.

Open Orphan Plc

Hvivo, a subsidiary of Dublin-listed Open Orphan has won a \$13.4 million (€11.8 million) contract with a leading US biotech company. The contract will see the unnamed company testing its novel antiviral candidate using the Hvivo influenza human challenge study model. The study is expected to commence in the first half of 2022 and will be conducted at Hvivo's quarantine facilities in London. The company expect the majority of revenues arising from the deal to be recognised next year. The shares are up 13.5% on the news this morning at 21p.

Health Beacon

A Dublin-based medical technology company, has shared further details on the placing of shares ahead of its planned €25 million initial public offering (IPO) on the Euronext Growth market next wednesday.. The company confirmed the placing of 4.3 million ordinary shares at a price of €5.85 per ordinary share.