SEASPRAY PRIVATE
Wealth Management Solutions

Thursday, 16th of December

Markets Outlook

Equities: European stock markets are opening higher Thursday as investors digest the Federal Reserve's move to tackle inflation, ahead of policy decisions by both the European Central Bank and the Bank of England. The U.S. central bank announced late Wednesday that it will double the pace of its asset tapering program to $30 billion a month and projected three quarter-point interest-rate increases in 2022. This suggested the Fed policymakers considered the U.S. economy strong enough to handle the Omicron variant as well as monetary policy tightening while they moved to tackle high levels of inflation.
"The economy no longer needs increasing amounts of policy support," Fed Chair Jerome Powell said in a news conference after the conclusion of the two-day policy meeting. There's more central bank activity in Europe today, with both the European Central Bank and the Bank of England having to strike a balance between the need to support economies threatened by the Covid-19 virus with the desire to combat inflationary pressures. The BoE is seen as the more likely of the two to tighten monetary policy after data on Wednesday showed British consumer price inflation surged in November to its highest in more than 10 years. In the equity markets , Volkswagen is likely to be in focus after it was reported that its sales are expected to fall below 9 million vehicles this year as semiconductor bottlenecks weigh on production. The German auto giant had unit sales of just under 11 million in 2019. Elsewhere corporate buybacks continue as Novartis announced a new share buyback worth up to $15 billion by end 2023.
Currencies: The dollar weakened in early European trade this morning, slipping the day after the Federal Reserve confirmed it would accelerate the tapering of its bond-buying program and ahead of meetings by the European Central Bank and the Bank of England. The Dollar Index, which tracks the greenback against a basket of six other currencies, fell 0.2% to 96.263, retreating from a high of 96.914 in the immediate aftermath of the Fed decision.
Safe-havens: Gold was up on Thursday morning after the U.S. Federal Reserve announced that it would quicken its asset tapering and hike interest rates in its latest policy decision. Gold futures were up 1.00% to $1,782.15

Key Events to Watch

16/12/2021 - EU & UK PMI's
16/12/2021 - EU & UK Central bank reports
17/12/2021 - EU final CPI y/y
17/12/2021 - BOE quarterly report

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,709	1.63%	25.39%
DAX	15,721	1.58%	14.57%
EuroStoxx50	4,230	1.69%	19.26%
ISEQ	8,054	-0.13%	8.42%
FTSE	7,252	1.14%	12.35%
Nikkei 225	29,066	2.13%	5.91%

FX			
EUR/USD	1.1304	0.17%	-7.43%
EUR/GBP	0.8509	0.04%	-4.64%
GBP/USD	1.3280	0.16%	-2.90%
USD/CHF	0.9227	-0.22%	4.26%
USD/JPY	114.10	0.08%	10.53%
EUR/JPY	128.99	0.27%	2.32%

Fixed Income		
US 10yr	1.450	-0.012
US 2yr	0.647	-0.040
Bund 10yr	-0.359	0.004
Irish 10yr	0.035	-0.011
Gilt 10yr	0.738	0.001
JGB 10yr	0.041	-0.003

Financial News Round Up

ESRI

In its latest quarterly economic commentary, the ESRI predicts the Irish economy will grow by almost 14% this year and 7% next year. Inflation, however, is expected to be higher peaking at 6% early next year. The economy's recovery from Covid has already delivered strong growth this year. The ESRI predicts this will carry through into next year with the domestic economy growing by just over 7%. The recovery has boosted tax revenues which the ESRI believes will push the deficit in the public finances down to just under €10 billion this year and to €4.8 billion next year. The institute warns, however, that higher inflation could erode the benefits to taxpayers and social welfare recipients from changes announced in the recent budget. It now expects inflation to average around 4% next year, and to peak around 6% in March. The ESRI says the labour market has also recovered better than expected with a swing from an average unemployment rate of 26% in the first quarter of this year to an average 7% in the final three months of 2021. Next year, it expects unemployment to further decline to 5%.

Boohoo plc

The Online fashion firm Boohoo has warned over sales and earnings after being hit by supply chain disruption, surging costs and customers returning more garments. The group said it expects full-year net sales to rise by between 12% and 14%, compared with the 20% to 25% previously guided. Underlying earnings are set to come in between £117 million and £139 million for the year to February 28. Boohoo said it was braced for an earnings impact of around £20 million from higher freight costs to the UK, while European and overseas trade is being hampered by consumer uncertainty and delivery delays. The group added that sales continue to be knocked as the percentage of garments sent back returns to pre-pandemic levels. The shares were down 11.75% in early trade this morning at £1.23.

Ryanair

Ryanair expects to fly around 10% fewer passengers in December and January due to customer concerns around the Omicron variant of COVID-19, Group Chief Executive Michael O'Leary told the Guardian newspaper in an interview. The airline expects to fly about 10 million people in December rather than the forecast 11 million, and plans to cut about 10% of its capacity in January, the newspaper quoted O'Leary as saying. "Where it's really hit us has been the early weeks of December, bookings in and out of Ireland and the UK ... The rest of the continent is still travelling for business and for leisure," O'Leary said, describing Christmas as "well booked".
"The panic is largely confined to the UK and Ireland. Across the continent there's been a much more reasoned approach" to Omicron, O'Leary said. The shares are down 15% and are now at an attractive buying level again.