

Friday, 17th of December

Markets Outlook

Equities: European stock markets are expected to open lower on Friday, with sentiment hit by central banks tightening monetary policy as cases of Omicron-variant Covid-19 soar. This will follow on from weaker markets overnight in Asia and US. Two of Europe's senior central banks took steps to combat surging inflation on Thursday, with the BOE raising interest rates for the first time since the pandemic started and the ECB saying it will cut its bond purchases in three months' time. The general trend towards tightening monetary policy appears to be clear, even though the different paths taken by central banks underline deep uncertainties about how the fast-spreading Omicron variant will hit economies. The U.K. recorded a record number of daily coronavirus cases for the second day running, with almost 90,000 infections confirmed on Thursday. France has tightened the restrictions on arrivals from the U.K., while Italy has done so for the rest of the EU. Over in the U.S., Adding to the negative sentiment, tensions between China and the U.S. flared again after the Biden administration imposed trade restrictions on more than 30 Chinese research institutes and entities. The European economic data slate is headed up by the November consumer price index for the Eurozone, which is expected to show inflation remains elevated, and the widely-watched December German Ifo business climate index.

Currencies: The dollar remained under pressure on Friday, a day after the Bank of England and European Central Bank adopted more hawkish stances than markets had expected, giving a boost to sterling and the euro. The dollar index, which measures the currency against six major peers, slipped 0.06% to 95.914, having hit a more than one-week low on Thursday. Sterling edged up to \$1.33295, after surging as high as \$1.33755 for the first time since Nov. 24 in the previous session. The euro gained 0.10% to \$1.1340, having hit the highest this month on Thursday, when the ECB outlined plans toward removing stimulus over coming quarters, although it also emphasised policy flexibility.

Safe-havens: Gold was up on Friday morning in Asia after key central banks tightened their monetary policies at their respective meetings this week. Gold futures were up 0.32% to \$1,803.95, set for their best week since mid-November 2021

Key Events to Watch

- 17/12/2021 - EU final CPI y/y
- 17/12/2021 - BOE quarterly report
- 20/12/2021 - UK CBI industrial order expectations
- 21/12/2021 - EU consumer confidence

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

Alibaba

Chinese e-commerce giant Alibaba (NYSE:BABA) whose share price have suffered for months following the change in the stance on technology companies in China, has announced overnight ambitious objectives for its Southeast Asian arm, Lazada, accelerating an overseas expansion to offset Chinese economic and regulatory headwinds. It has set a target for gross merchandise volume of \$100 billion in gross merchandise volume (GMV). The goal, which was shared with investors on Thursday and later in a public online presentation, ups the ante for the company, which entered the region via acquisition in 2016 and competes fiercely with rivals. Lazada generated \$21 billion in GMV from September 2020 to the same month in 2021, according to the presentation. It also hopes to serve 300 million customers, roughly double its current count. The change in stance by Chinese authorities has resulted in its shares have been down over 40% year to date. Investors will be hoping for strength from Alibaba as it approaches its next earnings release. The company is expected to report EPS of \$2.60, down 23.08% from the prior-year quarter. Meanwhile, consensus estimates is expecting Revenue of \$39.37 billion, up 16.19% from the prior-year quarter. For the full year, consensus estimates are projecting earnings of \$8.36 per share and revenue of \$135.25 billion, which would represent changes of -15.9% and +26.3%, respectively.

Central Banks

In a move that surprised markets yesterday, the Bank of England (BOE) hiked its interest rate to 0.25% when it handed down its policy decision on Thursday, becoming the first Group of G7 central banks to hike interest rates since the onset of COVID-19. Meanwhile, the European Central Bank boosted regular monthly bond-buying for half a year when it handed down its policy decision on the same day as BOE. It left interest rates unchanged but also indicated no change is likely until 2023. The ECB expects inflation to ease later in 2022.

The Fed announced it will accelerate its asset tapering program to \$30 billion every month, it said in its policy decision meeting on Wednesday. The Fed also kept its interest rate unchanged but will have three quarter-point interest-rate increases in 2022, three in 2023, and two more in 2024. Supporting the case for interest rates hikes, U.S. data on Thursday showed that the number of initial jobless claims for the week of December 6 was higher-than-expected 206,000. Finally, the Bank of Japan handed down its policy decision over night, where it kept its interest rate unchanged at -0.10%. It maintained its dovish tone but could reduce emergency COVID-19 funding.

Glanbia

Today Glanbia Coop will vote on whether to buy Glanbia plc's 40% stake in Glanbia Ireland for €370million. If successful it will allow farmers garner a greater share of profits for milk and produce.