

Tuesday, 21st of December

Markets Outlook

Equities: Global stocks have rallied overnight after falling sharply on Monday due to fears over the need for tighter restrictions to deal with the Omicron variant. The improvement in risk sentiment helped the Tokyo's Nikkei 225 to jump 2%, while early indications are for European and UK markets to all open up relatively strongly. The rebound in confidence was led by Chinese regulators making strong supportive statements for the hard pressed real estate sector. This resulted in a bounce in Hong Kong stocks which then spread out to other markets. This was despite disappointment in the US when Joe Biden's infrastructure bill for \$1.7 trillion was defeated due to one Democrat senator voting against it. The expectation is that the bill will need to be reworked and resubmitted in the New Year. In the UK, Boris Johnson's Conservative government decided to put off any further COVID-19 restrictions in light of the new Omicron variant. This was against the backdrop that the UK November's public finance data were disappointing, with £17.4bn of borrowing considerably ahead of the Office for Budget Responsibility's (OBR) forecasts due to additional spending and higher debt interest costs. The result of this is that fresh COVID-19 restrictions and the already softening trend in tax revenues could push the deficit in the UK closer to 10% of GDP in 2021.

Currencies: The dollar softened a little on Tuesday in the wake of improving market appetite for risk assets and currencies, extending its overnight losses following a blow to Democratic spending plans in Washington. The dollar index, which measures the currency against six major peers, dropped to as low as 96.450, down marginally on the day after losing 0.12% overnight. The euro inched higher to \$1.1282, and the safe haven yen lost some ground to 113.7 per dollar, both moves in keeping with Tuesday's gains in Asian equities, U.S. share futures and oil.

Safe-havens: Gold was down on Tuesday morning in Asia as investors assessed the impact from the blow to the Biden US \$1.75 trillion domestic spending bill and surging Omicron COVID-19 variant cases. Gold futures edged down 0.12% to \$1,792.35

Key Events to Watch

- 21/12/2021 - EU consumer confidence
- 22/12/2021 - US consumer confidence
- 23/12/2021 - US core price index & Durable goods orders
- 23/12/2021 - US housing starts
- 24/12/2021 - Closed for Christmas holidays

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,568	-1.14%	21.62%
DAX	15,239	-1.88%	11.09%
EuroStoxx50	4,107	-1.30%	15.61%
ISEQ	8,004	-1.77%	7.85%
FTSE	7,198	-0.99%	11.42%
Nikkei 225	28,518	2.08%	2.91%

FX			
EUR/USD	1.1294	0.18%	-7.52%
EUR/GBP	0.8541	0.08%	-4.32%
GBP/USD	1.3220	0.11%	-3.30%
USD/CHF	0.9204	-0.04%	4.00%
USD/JPY	113.70	0.11%	10.14%
EUR/JPY	128.40	0.28%	1.86%

Fixed Income		
US 10yr	1.431	0.012
US 2yr	0.644	0.014
Bund 10yr	-0.360	-0.001
Irish 10yr	0.046	-0.009
Gilt 10yr	0.771	-0.003
JGB 10yr	0.047	0.008

Financial News Round Up

AIB plc

The Irish Finance Minister has announced this morning that he intends to sell part of the State's 71.12% shareholding in AIB Group over the next six months. The stake is currently valued at €4 billion. The state originally invested €20.75bn in AIB at the height of the financial crisis. They have subsequently received back €10.6bn. The shares will be sold through a pre-arranged trading plan that will be managed by Merrill Lynch International ("BofA Securities"). BofA Securities was appointed to the role from the Department of Finance's Panel of Financial Advisors after a mini-tender competition. Under the trading plan, BofA Securities has been mandated to oversee a "measured and orderly sell down" of shares in the bank on behalf of the Minister. The Minister has instructed BofA Securities to target a sale of up to, but no more than, 15% of the expected aggregate total trading volume in shares of the bank over the duration of the trading plan. The number of shares to be sold will depend on market conditions, among other factors. AIB's share price closed at €2.157 yesterday.

Moderna

COVID-19 vaccine maker Moderna does not expect any problems in developing a booster shot to protect against the Omicron variant of the coronavirus and could begin work in a few weeks, Chief Executive Stephane Bancel said in an interview. Moderna hopes to start clinical trials early next year on a vaccine to protect against the fast-spreading Omicron variant but for now is focussing on a booster dose vaccine. "It only needs minor adjustments for Omicron. I don't expect any problems," Bancel said in an interview with the Swiss newspaper TagesAnzeiger published on Tuesday. The company was now awaiting important information on the variant to begin development. "That will take another week or two," Bancel said.

"It will take a few months before we can produce 500 million doses after (regulatory) approval. But our capacities are much higher today than a year ago," he said. If approval bodies such as the U.S. Food and Drug Administration and Switzerland's Swissmedic require further studies, that would add at least three months.

Irish Import & export Trade

In a new report by the ESRI it has found that Britain is now far less important to Irish importers and exporters than it was before Brexit. In fact figures show that goods from England, Scotland and Wales now make up just 7.2pc of total Irish imports, down from 23.2pc in 2015, and 6.3pc of total Irish exports, down from 10.9pc in 2015. The shift is due to Brexit, not Covid, the ESRI said. Between 2015 and February this year, Northern Ireland's share of Ireland's UK imports has increased more than sixfold, while it has almost doubled its share of total Irish exports to the wider UK. In total, Irish goods imports from the UK as a whole (including Northern Ireland) are down 49pc since 2015, while imports from Northern Ireland are up 82pc.