

Daily Update

Your daily market news, moves
and outlook



Tuesday, 4th of January

Markets Outlook

Equities: The EuroStoxx50 and 600 indices are between 0.5% and 1% stronger so far on Tuesday morning, as Irish and UK stock markets come back online after Monday's bank holiday closures. Equities in Asia were mixed overnight while futures in the US are marginally higher this morning after kicking off the year in a positive fashion yesterday. There seems to be a cautious optimism that the latest wave of Covid cases will not derail the global recovery due to widespread vaccination and the nature of the Omicron variant. Looking at volatility, the S&P500's VIX index trades at \$16.60 this morning, its lowest point since mid-November, and after trading as high as \$35.32 just a few weeks ago.

Currencies: The Dollar went bid yesterday after what was a relatively quiet December for the world's reserve currency, EUR/USD and GBP/USD at 1.13 and 1.35 on Tuesday, respectively. The current consensus is for the Fed's first rate hike to now come in March, with a further two to come this year, however some investors have pushed US yields and the Dollar higher in anticipation of even more central bank tightening over the next 12 months.

Safe-havens: Treasury yields in the United States soared on Monday as optimism around the general economic recovery had many market participants bracing for earlier-than-expected rate hikes in the region. The US 2yr bond yesterday reached a yield of 0.80% for the first time since the onset of the pandemic in March 2020. Longer dated bond yields have also moved higher, causing yield curves to stabilise over recent weeks. The US' 10yr currently yield's 1.64%, while Germany's sits at -0.128%, both at their highest levels since November. Oil traders will await OPEC's latest decisions today, current expectations are for major oil producers to add supply. WTI Crude and Brent trade slightly higher on the session, to \$76.40 and \$79.30 respectively.

Key Events to Watch

04/01/2022 - OPEC Meetings
04/01/2022 - US ISM Manufacturing PMI
05/01/2022 - Fed Meeting Minutes
07/01/2022 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,796	0.64%	0.64%
DAX	16,020	0.86%	0.86%
EuroStoxx	4,331	0.78%	0.78%
ISEQ	8,444	(Closed)	0.00%
FTSE	7,384	(Closed)	0.00%
Nikkei 225	29,301	1.77%	1.77%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1294	-0.69%	-0.73%
EUR/GBP	0.8381	-0.36%	-0.26%
GBP/USD	1.3471	-0.37%	-0.44%
USD/CHF	0.9191	0.77%	0.77%
USD/JPY	115.32	0.15%	0.55%
EUR/JPY	130.24	-0.55%	-0.18%

Fixed Income	Value	Daily Change
US 10yr	1.637	0.125
US 2yr	0.775	0.041
German 10yr	-0.124	0.055
Irish 10yr	0.271	0.022
UK 10yr	0.972	-0.001
Japanese 10yr	0.082	0.000

Financial News Round Up

The Week Ahead

Investors can expect a relatively busy first week of 2022, as we kickstart the new month and year with an array of economic data points out of the US and beyond. Many stock markets rallied to record highs last month, closing out what was a noteworthy year in terms of historical equity gains (S&P500 +28%), with many speculating that the positive price action could pour into the new year's opening week of trading.

Aside from the usual macroeconomic calendar, investors will continue to keep one eye on Omicron numbers and how they translate to hospitalizations, but so far the variant is looking to be less severe in terms of illness.

Yesterday we saw many nations around the world remain shut for bank holidays in observance of the new year, with a very quiet economic schedule for the session as expected. This morning all markets have returned to action, OPEC nations will meet throughout the day to discuss a range of issues regarding oil markets. At 3pm Irish time this afternoon we will get the release of the US 'ISM Manufacturing PMI' for December, expected to come in at a steady 60.0 and broadly in line with previous months.

Moving on, tomorrow's highlight will come in the evening when the Federal Reserve releases the minutes from its December meeting, and could cause some volatility across North American markets. On Thursday we will get the release of the US 'ISM Services PMI', forecast at 67.0 vs last month's decade-high reading of 69.1.

Friday will be a busy day for markets, during the morning we are due to see a Eurozone CPI inflation result for December - the figure expected to come in at 4.8% y/y vs the previous 4.9%. Then on Friday afternoon the United States' Non-Farm Payrolls and monthly Unemployment Rate (forecast at 4.1%, lowest since March 2020) releases will be due, and will be watched closely as usual.

Irish House Prices

According to property listings website 'myhome.ie', asking prices for properties in the country increased by 9.7% last year, with house price inflation at about 7.4% in Dublin and 10.6% outside of the capital. This comes as nationwide prices rose by an uncharacteristic 1.2% during what is normally a quiet fourth quarter.

"The unwelcome message from this quarter's MyHome report is that there is little sign of conditions easing" stated Conall MacCoille, author of the piece, "This reflects the market grinding tighter, with the stock of homes listed for sale having fallen to a fresh historic low of just 11,300. In addition, Ireland's labour market is performing exceptionally well, adding to housing demand" he went on to add.

We note that the mix-adjusted asking price for a property in Ireland stood at €311,000 at the end of last year, with Dublin's figure at €421,000 and elsewhere at €263,000.