

Daily Update

Your daily market news, moves
and outlook



Monday, 10th of January

Markets Outlook

Equities: Stock markets in Europe are about half a percent lower to kick off the week this morning, for what is their third consecutive day in the red. Similarly, futures in the States are edging lower on Monday, bringing the VIX index up to \$20 on the session so far. Equity investors will be closely watching the release of CPI inflation data out of the United States on Wednesday. Fed Chairman J Powell is also due to speak tomorrow which could cause some volatility across markets as a whole. The Q4 2021 earnings season will begin this Friday with some large bank in the US.

Currencies: The Dollar continues in its rangebound fashion this morning. EUR/USD has traded within the rough 1.125 - 1.135 range for at least 6 weeks now, as bets for 3 rate hikes in the US this year support the Dollar at these levels. EUR/USD is lower to 1.132 today, GBP/USD (cable) flat at 1.359. The world's reserve currency took a slight hit on Friday after the release of the weaker-than-expected US jobs data for December, with attention now firmly switching towards this week's key inflation results.

Safe-havens: Bond markets across the board moved lower last week, pushing yields to yearly-highs as rate hike expectations hardened for the US, UK, and even the Eurozone. The main catalyst was the release of the Fed's December meeting minutes, which market participants took as more hawkish than expected. US 10yr is yielding 1.78% this morning. German 10yr at -0.045%.

While bond yields have increased relatively sharply as of late, real yields remain deep in negative territory with the benchmark US 10yr real yield still at -0.7% at the end of last week. This fact serves to underpin equity markets, with many market commentators continuing to point to the stock market TINA (There Is No Alternative) theory.

Key Events to Watch

11/01/2022 - Fed Chair Powell speaks

12/01/2022 - US CPI

13/01/2022 - US PPI

14/01/2022 - UK GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,677	-0.41%	-1.87%
DAX	15,947	-0.65%	0.40%
EuroStoxx	4,305	-0.44%	0.17%
ISEQ	8,595	-0.25%	1.79%
FTSE	7,485	0.47%	1.36%
Nikkei 225	28,478	(Closed)	-1.09%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1359	0.60%	-0.31%
EUR/GBP	0.8357	0.18%	-0.70%
GBP/USD	1.3585	0.42%	0.44%
USD/CHF	0.9180	-0.25%	0.91%
USD/JPY	115.55	-0.23%	0.59%
EUR/JPY	131.25	0.37%	0.29%

Fixed Income	Value	Daily Change
US 10yr	1.765	0.037
US 2yr	0.870	-0.003
German 10yr	-0.029	0.039
Irish 10yr	0.353	0.029
UK 10yr	1.180	0.022
Japanese 10yr	0.124	(Closed)

Financial News Round Up

The Week Ahead

Markets look set for a slightly busier week ahead as we move forward into 2022, with some increased potential for volatility for risk assets. One positive we must acknowledge from the past few weeks is that the Omicron Covid variant has proven to be much less severe in terms of deaths and serious illnesses, helping to support equity markets after their initial Omicron-led shock from late November/early December.

In terms of economic data points: Monday looks set to be fairly muted for markets, while tomorrow focus will be on Jerome Powell's speech in Washington DC (at 3pm Irish time) after what was an important set of Fed meeting minutes last week. The likely highlight of the week will be the US CPI inflation reading, due to come around lunchtime on Wednesday and will undoubtedly have an impact on the outcome of the Federal Reserve meeting later this month. The CPI reading is forecast by analysts to come in at a multi-decade high of 7.0% y/y for the month of December. This follows November's 6.8% print and October's 6.2%. On a monthly basis, inflation in the States is expected to have risen by 0.4% m/m, down from the previous 0.8% but still marking an eighteenth consecutive month of increases.

Moving on, Thursday will see the release of the US PPI (Producer Price Index) for December. This figure measures the change in the price of finished goods and services sold by producers within the region, and is estimated to come in at 0.4% m/m and a whopping 9.8% y/y versus the prior 0.8% and 9.6%, respectively.

Towards the end of the week we will see November's GDP reading out of the United Kingdom (Friday morning), which will be followed by a speech from the ECB President Christine Lagarde in the early afternoon and then the latest US Retail Sales figure. This week, investors will also see a pick up in earnings reports, as some of the largest US banks deliver their Q4 2021 results. JP Morgan Chase, Wells Fargo, and Citigroup are all due to report on Friday before the opening bell on Wall Street.

Irish Retail Sales

On Friday of last week we saw CSO figures for November, indicating that domestic retail sales increased during the month as consumers reportedly splashed out on clothes, electrical goods, and cosmetics in the run-up to Christmas. According to the Central Statistics Office, volumes were 0.6% higher m/m, and 16.3% stronger than in November 2020, when only essential retail was allowed to open as a result of Covid restrictions. A fairer comparison is against that of November 2019, with 2021's result coming in 10.9% higher.

The more timely credit & debit card data, which is for December, showed that spending averaged €265m over the month, 8% higher y/y, and was the strongest month since the pandemic began.

Despite the robust bounce-back, many industries have unsurprisingly failed to fully recover, including bars (where revenues are still almost 30% lower than in 2019), and books, newspapers, and stationery (where revenues are still over 11% lower than pre-pandemic times.)