

Daily Update

Your daily market news, moves
and outlook



Monday, 24th of January

Markets Outlook

Equities: Stock markets in Europe are roughly half a percent lower on Monday morning. The EuroStoxx600 closed lower for the third consecutive week on Friday afternoon, as the hawkish central bank pivot continued to weigh heavily on general risk sentiment. Asia had a mixed but generally a more positive session in the early hours of Monday morning, after moving lower for the first few weeks of January. Equity traders may remain wary ahead of Wednesday's Federal Reserve release, with many likely to stay on the sidelines until then. Another factor for risk assets over the coming weeks will of course be any developments with regard to Russia advancing on Ukraine. The VIX is at \$28.35, having touched 7-week highs last week around \$29.80.

Currencies: Quiet trade is to be expected from the main currency pairs today and tomorrow, as most investors patiently await further clarity from the Federal Reserve mid-week. EUR/USD has remained in a tight range over recent trading sessions, currently finding fair value at 1.133. The greenback has been supported by the general risk-off mood across other markets recently. Notably, bitcoin over the weekend saw its lowest levels since July, the cryptocurrency has halved in value from its all-time high back in November, as fears over much tighter monetary policy in the States grow. Bitcoin is currently at circa \$34,500.

Safe-havens: Gold is gaining ground again on Monday morning, half a percent stronger so far to around \$1,842, the metal is up almost 2.5% over the past couple of weeks, as investors remain uncertain over geopolitical tensions, Q4 earnings results, and persistently high inflation. Looking at fixed income, yield curve flattening continued last week, longer-dated bonds took a break from their recent sell-off, the benchmark US 10yr yield is slightly lower to 1.73% and German 10yr to -0.1%.

Key Events to Watch

24/01/2022 - US PMIs

26/01/2022 - Fed Rate Decision

27/01/2022 - US GDP

28/01/2022 - US Core PCE inflation

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,397	-1.89%	-7.73%
DAX	15,603	-1.94%	-1.77%
EuroStoxx	4,429	-1.63%	-1.60%
ISEQ	8,265	-1.92%	-2.12%
FTSE	7,494	-1.20%	1.48%
Nikkei 225	27,588	0.24%	-4.18%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1340	0.27%	-0.36%
EUR/GBP	0.8364	0.60%	-0.40%
GBP/USD	1.3554	-0.30%	0.09%
USD/CHF	0.9112	-0.57%	0.18%
USD/JPY	113.68	-0.36%	-1.15%
EUR/JPY	128.91	-0.10%	-1.49%

Fixed Income	Value	Daily Change
US 10yr	1.770	-0.041
US 2yr	1.015	-0.011
German 10yr	-0.060	-0.033
Irish 10yr	0.435	-0.030
UK 10yr	1.170	-0.057
Japanese 10yr	0.135	0.008

Financial News Round Up

The Week Ahead

This week looks set to be busy for markets, with a series of important data points due around the world including the much anticipated Federal Reserve monetary policy meeting on Wednesday. Investors will also be paying very close attention to this week's earnings releases, especially with regard to the large tech names whose share prices have suffered significantly in recent weeks due to the general shift from growth into more value-oriented names.

Monday morning will see the release of Services and Manufacturing PMI readings out of key Eurozone nations as well as the UK, the data so far indicating mixed results. We expect to see fourth-quarter earnings releases later today from IBM, Halliburton, and some smaller names. In the early hours of tomorrow morning Australia will release its Q4 CPI inflation figure, expected at 1.0% q/q and 3.2% y/y. Tomorrow will also see the December Japanese inflation release, the region's core CPI figure forecast at just 0.7% y/y. On Tuesday we are also due to get US Consumer Confidence, along with earnings results from Microsoft, Johnson & Johnson, Verizon, General Electric, 3M, and American Express. Moving on to midweek, and to the highlight for most markets: the Federal Reserve's first monetary policy release of 2022 is due at 7pm Irish time, and will be followed by the usual press conference 30 minutes later from the Fed Chair Jerome Powell. While this month's meeting is not expected to produce any immediate changes to policy, it will likely set the stage for an initial interest rate hike at the US central bank's next meeting in March. Wednesday will also see results from the likes of Tesla, Abbot Laboratories, Intel, and Boeing.

On Thursday markets will focus on the Q4 US GDP reading, the country is expected to see q/q growth of 5.3% vs the prior 2.3%. Corporate results will come from Apple, Visa, Samsung, LVMH, Mastercard, SAP, McDonalds, Diageo and many more. Finally, on Friday, European traders will be watching the fourth-quarter GDP results due from some of the larger Eurozone nations during the morning, and then the US 'Core PCE' inflation figure in the afternoon (expected at 4.8% y/y). Earnings will be due from Chevron, Caterpillar, and Colgate-Palmolive.

Philips

Dutch multinational conglomerate Philips NV said this morning that its Q4 revenues and net profit fell as it continued to grapple with significant supply chain issues over the period. Comparable sales fell by 10% during Q4, while adjusted EBITDA was a concerning 35% lower to €647m. Net profit was at €157m vs the €603m seen during the same period in 2020. "We expect to start the year with a comparable sales decline, followed by a recovery and strong second half of the year" said CEO Frans van Houten in his statement to shareholders.

The shares reacted relatively poorly to the release this morning, and are currently over 4% lower in Amsterdam to €28.15. Philips, which traded on a forward P/E of 19 times and TTM P/E of 21.5 times (vs industry 32x) on Friday evening's close, are already 14% lower YTD having this morning traded their lowest prices since March 2020. Earlier this month we did see the group warn investors that supply problems will hit profits and a ventilator recall also needed to be expanded, adding to the sell-off.