

Daily Update

Your daily market news, moves
and outlook



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Tuesday, 25th of January

Markets Outlook

Equities: Stock markets on the continent are roughly 1% higher on this morning's open, trading higher after Wall Street's rebound late last night. US indices yesterday were notably up to 4% lower at their worst point, but unusual price action meant each of the three main indices actually finished the trading session slightly positive. Nervousness has been building around if or when Russia will advance on Ukraine, with tensions steadily increasing and affecting risk assets. Additionally, markets are eagerly awaiting the Federal Reserve's release, due tomorrow at 7pm Dublin time. VIX at \$32.50 currently, after spiking to a \$38.94 high on Monday (highest since October 2020).

Currencies: The Dollar has climbed so far this week as global uncertainties remain over geopolitical tensions, Q4 earnings results, and tightening monetary policy. We would expect FX volatility to stay fairly subdued until after the FOMC release tomorrow evening, as Dollar traders remain on the sidelines for now. Euro traders will of course also react to any increase in Russia-Ukraine tensions. EUR/USD and EUR/GBP are both 0.25% lower on Tuesday to 1.1295 and 0.837 respectively.

Safe-havens: Gold traders seemed to shrug their shoulders at yesterday's equity volatility, the metal gaining just 0.35%, and undoing most of this move this morning, now at \$1,838. Short-dated US Treasury yields moved lower yesterday after what has been a relatively sharp move higher. Fixed income markets are quiet for the most-part this morning, and should stay this way until tomorrow evening.

Looking ahead: This afternoon will be slightly quieter on the economic data front, but we will however see a monthly US Consumer Confidence figure. Tomorrow's FOMC release is the event of the week. Today we are due to get Q4 results from the likes of General Electric, 3M, J&J, American Express, Verizon, Microsoft, followed on Wednesday by AT&T, Boeing, Intel, Tesla, and Wizz Air.

Key Events to Watch

26/01/2022 - BOC Rate Decision

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	4,410	0.28%	-7.47%
DAX	15,011	-3.80%	-5.50%
EuroStoxx	4,054	-4.14%	-5.68%
ISEQ	7,910	-4.29%	-6.32%
FTSE	7,297	-2.63%	-1.18%
Nikkei 225	27,131	-1.66%	-5.77%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1323	-0.16%	-0.48%
EUR/GBP	0.8394	0.33%	-0.07%
GBP/USD	1.3485	-0.52%	-0.38%
USD/CHF	0.9136	0.10%	0.42%
USD/JPY	113.92	0.11%	-1.13%
EUR/JPY	128.99	-0.05%	-1.61%

Fixed Income	Value	Daily Change
US 10yr	1.776	0.004
US 2yr	0.971	-0.054
German 10yr	-0.098	-0.031
Irish 10yr	0.388	-0.047
UK 10yr	1.129	-0.041
Japanese 10yr	0.131	0.000

Financial News Round Up

Ukraine Latest

The 'risk-off' tone in equity markets intensified yesterday, at least temporarily, as investors grew nervous about the potential for military conflict in Ukraine. Along with the obvious dangers associated with a new war, Europe's energy supplies from Russia would likely see disruptions if they, and NATO, move to impose sanctions on Moscow.

It has emerged that the United States has placed roughly 8,500 troops on standby for possible deployment to central and eastern Europe, in what would be an effort to shore up NATO's defences in the broad area. This step up in tensions came yesterday as US President Biden held a wide-ranging video conference call with leaders from around Europe, lasting about an hour and 20 minutes. Reportedly conversations were had about how to defuse the situation in a diplomatic manner but also the prospect of retaliatory actions in the event of an attack on Ukraine.

"The leaders underscored their shared desire for a diplomatic resolution to the current tensions and reviewed recent engagements with Russia in multiple formats" the White House said in a statement.

"The leaders also discussed their joint efforts to deter further Russian aggression against Ukraine, including preparations to impose massive consequences and severe economic costs on Russia for such actions as well as to reinforce security on NATO's eastern flank."

PMIs Yesterday

We saw mixed results from yesterday's Services and Manufacturing PMI readings, with most major regions seeing weaker than expected services sector results. Omicron and any associated restrictions have clearly had an impact on both sides of the Atlantic. We note that these PMIs are a leading indicator, and reflect data from the current month, with results above 50.0 indicating expansionary territory, and below 50 contractionary.

- Eurozone Manufacturing: 59.0 vs 57.6 forecasts.
- Eurozone Services: 51.2 vs 51.9 forecasts.
- UK Manufacturing: 56.9 vs 57.7
- UK Services: 53.3 vs 53.9
- US Manufacturing: 55.0 vs 56.9
- US Services: 50.9 vs 54.9

Interestingly, the composite PMI results (which combine the two) for both the Eurozone (52.4) and the UK (53.4) fell to 11-month lows this month.

IBM

US tech firm IBM (International Business Machines Corp) has beaten analysts' forecasts for Q4 revenue growth, and reiterated its own forecast for mid-single-digit revenue growth in 2022. Revenue was 6.5% higher to \$16.7b, versus estimates for \$15.96b. IBM earned \$3.35 per share during the quarter, beating forecasts for \$3.30.

Sales at IBM's consulting business increased by 13.1% y/y, while cloud revenue rose by a robust 16% to \$6.2b during the period.

The shares are set to open 3% higher in New York this afternoon at about \$132.80, having gained 6% last year and lost 3.6% this month so far. IBM trades on a forward P/E of 13x and 2021 P/E of 24.7x vs the industry 33.5x. IBM boasts a 5.1% dividend yield at current levels, and is expected to steadily grow its payout over the coming years.