Daily Update

Your daily market news, moves and outlook

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Thursday, 27th of January

Markets Outlook

Equities: Markets have opened lower in Europe this morning, with the main indices currently down about 1% at the time of writing. This follows choppy trade on Wall Street last night, traders initially reacted to the Fed's monetary policy statement by pushing risk assets higher, before finishing the session lower after Jerome Powell's seemingly hawkish press conference. Futures in the Sates this morning would indicate that the S&P will open another 0.25% lower later on. Looking at volatility, the VIX index sits at $31.20 on Thursday morning. Equity markets will begin to look towards today and tomorrow's data points out of the US, followed next week by the ECB and BOE.

Currencies: The US Dollar saw a boost on Thursday after market participants deemed some of Powell's comments as even more hawkish than was expected, EUR/USD is down just below 1.12 today and approaching a significant support level. Another factor in the Euro's decline is of course the rising tensions in Ukraine, which have reduced the common currency's value in relation to GBP and JPY as well.

Safe-havens: Gold and silver suffered yesterday as markets looked towards a stronger possibility of quantitative tightening in the US later this year, the precious metals now down to $1,816 and $23.37 respectively. We saw 2yr Treasury yields hit 23-month highs earlier today (at 1.19%), shrinking the gap with the 10yr yield (1.85%), as markets look to price in a fifth rate hike in the States this year.

Looking ahead: Later on Thursday we are due to hear from Diageo, Southwest Airlines, Comcast Corp, McDonald's, Apple, Visa, and Mastercard. These will be followed tomorrow by Volvo, Colgate-Palmolive, Chevron, and Caterpillar. In terms of the regular data points: today's main release will come from the US in the form of a fourth-quarter GDP release, expected at 5.3% q/q from the previous 2.3%. Tomorrow's US Core PCE inflation (forecast at 4.8% y/y) will be monitored closely by Federal Reserve members.

Key Events to Watch

27/01/2022 - US GDP
28/01/2022 - Eurozone GDPs
28/01/2022 - US Core PCE inflation
31/01/2022 - German CPI inflation

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,349	-0.15%	-8.73%
DAX	15,459	2.22%	-2.68%
EuroStoxx	4,164	2.12%	-3.11%
ISEQ	8,065	1.89%	-4.49%
FTSE	7,469	1.33%	1.15%
Nikkei 225	26,170	-3.11%	-9.10%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1237	-0.55%	-1.36%
EUR/GBP	0.8345	-0.24%	-0.58%
GBP/USD	1.3461	-0.26%	-0.76%
USD/CHF	0.9239	0.63%	1.49%
USD/JPY	114.63	0.68%	-0.30%
EUR/JPY	128.81	0.12%	-1.66%

Fixed Income	Value	Daily Change
US 10yr	1.873	0.097
US 2yr	1.156	0.129
German 10yr	-0.073	0.008
Irish 10yr	0.437	0.007
UK 10yr	1.204	0.036
Japanese 10yr	0.151	0.005

Financial News Round Up

Federal Reserve

Equities became more volatile last night during the Fed Chairman Jerome Powell's post-release press conference, with many market commentators focusing on the fact that Powell refused to rule out a more aggressive series of interest rate hikes than we had been expecting. Interestingly, Powell dodged a question about whether the central bank could increase rates at each of the seven remaining meetings this year, instead stating that the Fed will be "humble and nimble" and will be "guided by the data". In this context, inflation results will be watched very closely over the next couple of months.

We note that Powell also declined to say whether the bank would consider raising rates by 50 basis points in one go at one of their 2022 meetings, this would be a 'double-hike' and may be taken as a sign of panic by some market participants. It is more than 10 years since the Fed increased rates by more than 25bps. "I think there's quite a bit of room to raise interest rates without threatening the labour market" the chairman stated.

The US central bank also confirmed to investors that it will wind down its asset purchasing programme by March, as it had outlined in its December meeting. "I would say the committee is of a mind to raise the federal funds rate at the March meeting, assuming that conditions are appropriate for doing so" Powell also said, in what was an unusually frank comment on the Fed's plans.

Tesla

US electric car manufacturer and largest car-maker on the planet by market cap Tesla reported its fourth-quarter earnings result last night after the closing bell on Wall Street. Tesla managed to beat most analysts' expectations despite ongoing supply chain problems that have plagued the auto industry at an unprecedented scale.

Revenues came in at $17.719 billion, 65% stronger y/y and beating forecasts for $16.64b. Net income was a whopping 760% higher to $2.32b, while adjusted EPS was at $2.54 (ahead of estimates for $2.37).

"The rate of growth will depend on our equipment capacity, operational efficiency and the capacity and stability of the supply chain" the firm's statement reads, "Our own factories have been running below capacity for several quarters as supply chain became the main limiting factor, which is likely to continue through 2022." it added.

The shares are 0.90% lower in pre-market trade, indicating an open this afternoon at $929.77. Tesla's stock has been exceptionally volatile over the past two years: the name gained almost 50% in 2021, is currently down 11% in January so far, and is also 24.5% off of its record high reached back in November. The stock astonishingly trades on a forward P/E of 95 times, this is compared to Toyota's 10x, Daimler's 6.6x, Ford's 10x, and VW's 5.5x.