

Daily Update

Your daily market news, moves
and outlook



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Friday, 28th of January

Markets Outlook

Equities: Markets on the continent are about 2% lower on Friday morning, after seeing a broadly positive trading session yesterday. While Russia-Ukraine tensions and the outlook for tighter Federal Reserve policy both remain significant concerns for investors at present, relatively strong Q4 earnings results are providing some support for the asset class. The VIX is at \$30.95 at the time of writing this morning, as S&P 500 futures edge lower ahead of their open at 2:30pm.

Currencies: The Dollar has made strong gains this week on the back of a more hawkish press conference from Jerome Powell than most were expecting, bringing EUR/USD down to 1.113 for the first time since June 2020 and GBP/USD to 1.339 (lowest in a month). The greenback has actually seen its best week in seven months as investors move to price in five rate hikes in 2022 in the United States. Attention will now turn to this afternoon's US inflation release.

Safe-havens: Precious metals have suffered this week as money flows into the Dollar and markets brace for Fed Quantitative Tightening to come later in the year. Gold has lost 3% of its value since Monday morning, now at \$1,779, while silver is nearly 8% lower on the week to \$22.42. On bonds, all focus has been around US Treasuries - yield curves have continued to flatten with just 0.63% difference now between the region's 10yr and 2yr yields, and just a 0.50% difference between the 30yr and 5yr.

Looking ahead: Later today we are due to get the US Core PCE inflation reading, this is the Fed's preferred inflation metric and is forecast to come in at 4.8% y/y. Looking to next week, market volatility could continue as we see more important earnings releases, along with rate decisions from the ECB and BOE on Thursday. The list of companies due to release includes Alphabet, Facebook, Amazon, Roche, Alibaba, ExxonMobil, AbbVie, Merck, PayPal, Shell, Sony, and many more.

Key Events to Watch

28/01/2022 - US Core PCE inflation

31/01/2022 - Eurozone GDP

02/02/2022 - Eurozone CPI inflation

03/02/2022 - ECB Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,326	-0.54%	-9.23%
DAX	15,524	0.42%	-2.27%
EuroStoxx	4,184	0.49%	-2.64%
ISEQ	8,090	0.31%	-4.19%
FTSE	7,554	1.13%	2.30%
Nikkei 225	26,717	2.09%	-7.20%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1143	-0.84%	-2.09%
EUR/GBP	0.8323	-0.26%	-1.00%
GBP/USD	1.3385	-0.56%	-1.06%
USD/CHF	0.9305	0.71%	2.18%
USD/JPY	115.34	0.62%	0.51%
EUR/JPY	128.52	-0.23%	-1.58%

Fixed Income	Value	Daily Change
US 10yr	1.803	-0.070
US 2yr	1.188	0.032
German 10yr	-0.057	0.014
Irish 10yr	0.444	0.004
UK 10yr	1.234	0.034
Japanese 10yr	0.161	0.011

Financial News Round Up

ECB Next Week

Next Thursday at 12:45pm the European Central Bank will release its first rate decision and monetary policy statement of 2022. This statement, which will be the first of eight planned for this year, will be followed by ECB President Christine Lagarde's usual press conference at 1:30pm on the same day. While the meeting is not likely to bring any policy changes, instead the ECB will have to master a new communication challenge regarding inflation in the region: avoiding any apparent shift from patience to panic.

Despite the Fed having moved closer to a first rate hike, and the BOE having already begun increasing rates to 0.25% last month, market participants are not expecting the ECB to give any hints on possible hikes. We must remember that the Eurozone economy is still behind that of the US in terms of the cycle, inflation, wages and labour market tightness.

At the central bank's December meeting, it not only marked a new and more hawkish inflation stance, but ECB policymakers also opted to start the gradual reduction of its asset purchases. Next week, we think the bank will have to confirm its new hawkishness without going too far, so to speak.

Apple

Apple, the world's largest firm by market cap, has reported its fourth-quarter results overnight, which have been well received by investors. The shares are currently 3.5% higher in pre-market trade in New York, looking set to open at about \$165. It is worth noting that while this would still leave the shares almost 10% off of their all-time high, Apple gained 33.8% during 2021 and 80% during the pandemic year of 2020. Revenues came in at \$123.9b for the three-month period, 11% stronger y/y as its services business expanded and chip shortages were largely confined to iPad sales. iPhone and computer net profit for Oct-Dec surged by 20% to \$34.6b, coming in well above analysts' estimates for \$31.1b.

One major issue for firms has been supply chain problems over recent months, when asked if Apple need to overhaul its supply chain at all, CEO Tim Cook said "I think our supply chain actually does very good considering the shortages. It's a fast moving supply chain, cycle times are short, there's very little distance between a chip being fabricated and packaged and going out the factory."

LVMH

LVMH (Louis Vuitton Moët Hennessy) shares are flat to marginally stronger on Friday morning following the release of the luxury goods firm's Q4 results. Annual sales (€64.2b) were stronger than forecasts (€62.5b), while net profit came in at €12b ahead of analysts' €10.9b estimates. Organic revenue growth was 36% for 2021 as a whole, versus 2020, and 14% compared to 2019.

LVMH have announced they will upgrade their payout to €10 per share. This will boost the company's dividend yield to about 1.5% based on today's stock levels, and is a two-thirds increase on the previous year's payout.