Daily Update

Your daily market news, moves and outlook

SEASPRAY PRIVATE
Creating Investment Solutions

Monday, 31st of January

Markets Outlook

Equities: Stocks are over 1% stronger on the continent to kick off the week this morning, robust Q4 earnings continue to support the asset class for now. Equity indices closed last week flat to lower, after seeing 5 days of very choppy trade. During January we saw investors brace themselves for what could be fairly aggressive central bank policy tightening this year. In the short-term, stock markets seem unsure of their next move, evidenced by last week's relatively sharp moves in both directions. While market participants are of course nervous about issues ranging from Russia-Ukraine tensions to tighter monetary policy, bond yields remain deeply in negative territory when adjusted for inflation and commodity prices in many instances are stretched. This leaves investors with very few viable alternatives to equities, and should serve to underpin the asset class going forward. The VIX is at $28.05 at the time of writing, having seen its highest levels (above $38) in over a year last week.

Currencies: While Friday was quiet for a lot of the main currency pairs, we did see the US Dollar strengthen significantly earlier in the week. EUR/USD in fact traded down to 1.112 for the first time since June of 2020, as risk assets sold off and investors sought the safe-haven currency. Higher US Treasury yields are also attracting money into the US, while tensions in Ukraine are causing a risk-off tone across markets - each of which are are factors supporting the greenback at present.

Safe-havens: The policy-sensitive US 2yr Treasury bond continued its sell-off last week, forcing yields higher to 1.2% and flattening yield curves in the US. Benchmark 10yr yields have been more stable over the past couple of weeks, mostly seeing sideways trade. US 10yr is currently yielding 1.78%, UK 10yr at 1.26%, and German 10yr at -0.01%.

Key Events to Watch

02/02/2022 - Eurozone CPI inflation
03/02/2022 - BOE Rate Decision
03/02/2022 - ECB Rate Decision
04/02/2022 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,431	2.43%	-7.01%
DAX	15,318	-1.32%	-3.56%
EuroStoxx	4,136	-1.15%	-3.76%
ISEQ	8,162	0.88%	-3.35%
FTSE	7,466	-1.17%	1.10%
Nikkei 225	27,001	1.07%	-6.22%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1143	0.00%	-1.81%
EUR/GBP	0.8311	-0.14%	-0.98%
GBP/USD	1.3403	-0.01%	-0.81%
USD/CHF	0.9307	0.02%	2.14%
USD/JPY	115.24	-0.09%	0.31%
EUR/JPY	128.41	-0.09%	-1.49%

Fixed Income	Value	Daily Change
US 10yr	1.778	-0.025
US 2yr	1.172	-0.016
German 10yr	-0.047	0.010
Irish 10yr	0.468	0.019
UK 10yr	1.244	0.015
Japanese 10yr	0.176	0.014

Financial News Round Up

The Week Ahead

Volatility could continue this week as we see an array of big earnings releases, along with some key economic data points and central bank statements.

Firstly, to economic data, Monday afternoon will be on the quieter side, after this morning's 0.3% q/q Eurozone GDP release for Q4 (vs 0.4% forecasts). Tonight the Reserve Bank of Australia make their latest rate decision, expected to leave rates unchanged at 0.10%. Tomorrow the US 'ISM Manufacturing PMI' will be due in the afternoon, as will Canadian GDP for November. OPEC leaders will meet on Wednesday to discuss energy markets.

Markets will continue to focus on central bank meetings this week, on Thursday we are due to hear from both the European Central Bank and the Bank of England in the early afternoon. The BOE is forecast to follow its December rate hike with a 25bp increase, while the ECB is not expected to make any policy changes this time around. If the bank continues to emphasise that rate increases are unlikely in 2022 then we could see lower prices for EUR/USD, at least in the short term.

Volatility may pick up on Friday when we see the US Non-Farm Payrolls result for January, the region expected to have added 166k jobs over the month, with an unemployment rate unchanged at 3.9%.

Taking a look at fourth-quarter earnings, over 100 of the S&P500's firms will report over the next five days. Markets will look for strong results, especially within large tech, to support equities in February.

Later today we will hear from Alphabet (Google), PayPal, AMD, Starbucks, Gilead Sciences, UBS, General Motors, and many others, followed on Tuesday by the likes of Facebook, ExxonMobil, Alibaba, AbbVie, Novartis, Qualcomm, Sony, and T-Mobile. On Wednesday we get results from Amazon, Merck, Honeywell, and Novo Nordisk, and on Thursday Roche, Eli Lilly, Ford, Siemens Healthineers, Regeneron, ING, and Mitsubishi. Finally, on Friday we are due to get Sanofi, Vinci, AON, and Carlsberg.

Ryanair

Ryanair reported a €96m loss for the final three months of last year, coming in ahead of analysts' forecasts for -€101m. This compares to its €306m loss a year earlier, and profit of €88m during the same time in 2019. The firm reiterated its forecast loss for its full year (ending March 31st) to come in between €250m and €450m.

"While recent bookings have improved, following easing of travel restrictions, the booking curve remains very late and close-in, so Q4 traffic requires significant price stimulation at lower prices" said Michael O'Leary, adding that the outlook for the budget airline's fiscal fourth quarter still seems "hugely uncertain". "We would caution all shareholders to expect further Covid disruptions before we here in Europe and the rest of the world can finally declare that the Covid crisis is behind us".

The shares closed in Dublin at €16.60 last Friday, and are basically trading in the middle of their range from about Nov 2020 to Nov 2021 when the Omicron sell-off occurred. We believe there to be upside of between 15% - 20% over the coming years for this stock, from current levels. Ryanair, who entered the pandemic with what was likely the healthiest balance sheet of all European airlines, are emerging in a relatively strong position, and will be looking forward to what is set to be a more normal summer for passenger numbers.