

Daily Update

Your daily market news, moves
and outlook



SEASPRAY PRIVATE
Creating Investment Solutions

Tuesday, 1st of February

Markets Outlook

Equities: Stock markets in Europe are about 1.3% stronger on Tuesday, after a higher session for most of Asia. China remains closed for its Lunar New Year. Focus will undoubtedly begin to turn to Thursday's BOE and ECB monetary policy releases. The BOE are set for a 25bp rate hike while the ECB are not forecast to make any changes, albeit under increasing pressure as inflation in the Eurozone holds firm. Equity traders continue to pay close attention to earnings results this week, we will have more information for clients on Q4 results towards the end of the week. The VIX is lower to \$24.53 at the time of writing, as S&P futures edge higher this morning.

Currencies: USD is pulling back so far this week, after the Dollar Index touched 18-month highs at 97.44 last Friday. Also helping the greenback move slightly lower has been the pick up in risk sentiment across equity markets over the past 24 hours or so. Euro at \$1.126 on Tuesday, GBP at \$1.349. AUD/USD has recovered to about 0.709 after initially selling off this morning when the RBA indicated it will keep interest rates at record lows for longer than expected.

Safe-havens: Gold prices are turning upwards this week, the metal now finding fair value at \$1,805. Gold did sell off by about 2.5% last week as traders continued to bet on a more hawkish Fed and move money into the Dollar. US Treasuries, even on the shorter end, are taking a break from their move higher in yields, the region's 2yr has traded sideways for a number of sessions now at 1.16% while the 10yr is at 1.75%. Bond prices will remain important going forward, in the context of negative real yields and their effects on equity valuations.

Looking ahead: After PMI and CPI data from some Eurozone nations earlier today, we will see Canadian monthly GDP during the afternoon along with the US' January Manufacturing PMI (expected to slow further). ExxonMobil, PayPal, Alphabet, and General Motors will all report later, after UBS posted its best annual profit since 2006 this morning. Tomorrow we will hear from Novartis, Novo Nordisk, Banco Santander, Thermo Fisher Scientific, Meta (Facebook), and T-Mobile.

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	4,515	1.89%	-5.26%
DAX	15,471	0.99%	-2.60%
EuroStoxx	4,174	0.91%	-2.88%
ISEQ	8,220	0.72%	-2.65%
FTSE	7,464	-0.02%	1.08%
Nikkei 225	27,078	0.28%	-5.95%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1233	0.73%	-1.07%
EUR/GBP	0.8350	0.35%	-0.64%
GBP/USD	1.3445	0.32%	-0.43%
USD/CHF	0.9269	-0.47%	1.32%
USD/JPY	115.10	-0.14%	-0.10%
EUR/JPY	129.30	0.01%	-1.18%

Fixed Income	Value	Daily Change
US 10yr	1.784	-0.007
US 2yr	1.184	-0.016
German 10yr	0.014	0.061
Irish 10yr	0.511	0.030
UK 10yr	1.307	0.062
Japanese 10yr	0.176	0.000

Financial News Round Up

Irish Manufacturing

According to AIB's Manufacturing 'Purchasing Managers Index' (PMI), Ireland saw continued growth in the sector last month. The figure picked up from December's nine-month low of 58.3, to the most recent score of 59.4. Any readings above 50.0 indicate growth within the region, and below means contraction.

While December was the lowest result for many months, we must remember that the index is at an elevated level historically, with January 2022's result higher than any month prior to April 2021.

Oliver Mangan, AIB's chief economist, stated that the subcomponents of the PMI survey registered robust readings. "The most encouraging aspect was a marked rise in new orders, including for exports. Growth in output, though, while remaining strong was constrained by staffing problems, often due to absences linked to Covid. However, overall employment in the sector continued to grow at a very solid pace." he said.

The Irish manufacturing result for January is broadly on par with that of the Eurozone (which increased from 58 to 59), and came in stronger than the US and UK's readings, which were at 55 and 56.9 respectively.

UK House Prices

A data release from British mortgage lender Nationwide this morning showed that house price growth in the area accelerated further in January, marking the strongest start to any year since 2005. UK house prices rose by 0.8% over the month (ahead of expectations for 0.6%), after a 1.1% increase in December.

Compared to January 2021, prices are now a significant 11.2% stronger, equating to the fastest annual growth since June and again beating consensus forecasts for 10.8%.

The increase last month pushed the average British house price to an all-time high of £256,000, £40,000 higher than pre-Covid times.

UBS

Swiss multinational investment bank and financial services firm UBS Group reported its best annual profit since the global financial crisis this morning, pushing shares to a four-year high.

Q4 profit fell a smaller-than-expected 18% to \$1.3b, dragged lower by a €650m hike in provisions set aside to cover penalties in a case accusing the bank of helping wealthy clients in France evade taxes. UBS also announced plans to almost double its share buyback programme, now intending to purchase up to \$5b worth of shares over the next 12 months.

The stock, which trades on a forward P/E of 9.3x and a TTM P/E of 8.2x (vs industry 14x), is 6% higher on Tuesday as market participants welcome this latest set of results. UBS, which has benefitted from the prospect of higher interest rates around the world amidst persistently strong inflation, gained an impressive 31.7% last year. The stock yields 2% in terms of a dividend, and with a payout ratio of 17% at present we believe management has ample room to increase its dividend per share over the coming years.