

Daily Update

Your daily market news, moves
and outlook



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Markets Outlook

Monday, 7th of February

Equities: The EuroStoxx50 index is about 0.4% stronger this morning at the time of writing, after having seen four consecutive weeks of lower trade. The European equity index is still however faring better than its US counterparts, down 4.5% YTD vs the S&P500's -5.6%. There has been no major change in market narrative as the new week gets underway. Central banks' hawkish pivots are still in focus, as inflation exceeds expectations around the world. Investors also will be keeping one eye on Ukraine and any negative developments in that regard. The US has warned that a Russian invasion could happen any day now.

VIX marginally higher to \$24.20 on Monday, and still relatively subdued given the heightened uncertainty. 78% of S&P500 earnings so far have beaten forecasts, this fact is likely counteracting some market fears.

Commodities: While oil prices are roughly 1.5% weaker on Monday, the commodity gained again last week. This pushed both Brent Crude and WTI Crude above \$93, and to 7-year highs. Expectations that global supply would remain tight have continued as fuel demand increases and investors took little notice of the small steps forward in the US-Iran nuclear talks.

Currencies: The Euro has seen movement over the past week, increasing in value against USD and GBP after what was a definite hawkish shift from the ECB last Thursday. EUR/USD reached a high of 1.1485 on Friday before pulling back slightly on the back of strong US jobs data. EUR/GBP is at 0.844 this morning, down from Friday's 0.847. We would expect to see heightened volatility in the FX space, as well as in other asset classes, should Russia advance on Ukraine over the next few weeks - the Dollar would likely act once again as a safe-haven in this scenario and see a significant bid. Dollar traders will closely watch Thursday's US CPI inflation result (forecast at 7.3%).

Safe-havens: Bond yields across the board moved higher on Friday, after we saw a stronger than expected set of NFP job results out of the US. This caused bond investors to price in tighter monetary policy in the region, moving out of the asset class and causing yields to rise to multi-year highs in many cases. The benchmark US 10yr is currently yielding 1.9% for the first time since January 2020 while its 2yr equivalent is now at 1.3%. Real yields have of course climbed over recent weeks, albeit still in negative territory for the most-part, on both sides of the Atlantic. In Germany, 10yr yields have moved up to 0.23% this morning, for the first time in three years.

Key Events to Watch

07/02/2022 - ECB President Lagarde speaks
10/02/2022 - EU Economic Forecasts
10/02/2022 - US CPI
11/02/2022 - UK Q4 GDP

Financial News Round Up

The Week Ahead

Investors this week are set to monitor another set of inflation results alongside a few days of important Q4 earnings releases. We believe market focus will remain on the world's leading central banks over the coming weeks, as the hawkish tilt continues to have an effect on all asset classes. Investors will of course also react to any developments, especially negative ones, that take place in Ukraine over the next week.

Monday is set to be mostly quiet on the economic data front, we will however hear from the ECB President Christine Lagarde at 3:45pm when she speaks at a virtual hearing. Tuesday and Wednesday are also on the quieter side when we look at regional data releases, with some smaller readings due such as US and German monthly trade balances.

Thursday may bring some volatility into the equation for risk assets, during the morning we are due to get the European Commission's quarterly economic forecasts, followed after lunch by the latest US CPI inflation result. US CPI (for January) is forecast to come in at 7.3% y/y, its highest since 1982. Finally on Friday, UK GDP will be released, estimated to come in at 1.1% q/q for Q4, and -0.5% m/m for December.

Earnings season continues this week, however we are seeing a softening in the pace of larger releases. Names of interest over the coming week include: Alibaba, Pfizer, TotalEnergies, and BP, all reporting tomorrow, followed on Wednesday by Toyota, GSK, Disney, and Uber. On Thursday we will also hear from Coca-Cola, Pepsico, AstraZeneca, with a quieter day on Friday.

M&A in Ireland

240 merger and acquisitions took place in Ireland during 2021, a 12-month record and worth a total of €24.6b. This represents a 33% increase when compared to the previous year, this being the strongest y/y jump since 2006, according to the latest figures from the William Fry M&A Review.

There were 10 deals valued at over €500m over the course of the year, led by AIB's €4.1 billion takeover of Ulster Bank's commercial loan book. These 10 deals came to €18.1 billion in total, and compare to 2020 when there were only three transactions in excess of €500m.

According to the data, Ireland's mid-market was the most active area for deal-making last year, 81% of transactions had a disclosed value of between €5m and €250m.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,500	0.52%	-5.57%
DAX	15,099	-1.75%	-4.94%
EuroStoxx	4,086	-1.31%	-4.93%
ISEQ	8,128	-0.97%	-3.75%
FTSE	7,516	-0.17%	1.79%
Nikkei 225	27,248	-0.70%	-5.36%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1449	0.10%	0.54%
EUR/GBP	0.8458	0.57%	0.51%
GBP/USD	1.3529	-0.49%	0.05%
USD/CHF	0.9254	0.62%	1.38%
USD/JPY	115.20	0.22%	0.16%
EUR/JPY	131.90	0.30%	0.70%

Fixed Income	Value	Daily Change
US 10yr	1.916	0.080
US 2yr	1.316	0.116
German 10yr	0.208	0.053
Irish 10yr	0.725	0.060
UK 10yr	1.415	0.038
Japanese 10yr	0.196	-0.001