

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Thursday, 10th of February

Equities: Stock markets across the board rallied yesterday, with the main European equity indices slightly higher again today after what was a busy morning of earnings releases on the continent. Volatility is expected to remain low ahead of the US CPI release at 1:30pm today Irish time, S&P500 futures are slightly weaker bringing the VIX to \$20.80 on Thursday. We believe this inflation reading could offer us some clues on how aggressively the Federal Reserve will tighten policy over the coming months. Currently, markets are pricing in up to six rate hikes in the US by December, with Fed Funds futures indicating a 77% chance of a 25bp hike next month, and a 23% chance of a 50bp 'double hike'.

Currencies: The main Dollar pairs have seen very quiet movement so far this week, as traders sit on the sidelines ahead of today's data, in hope of some further indication on just how hawkish the Fed may be at their March meeting. The Dollar index, which tracks the world's reserve currency against a basket of six other major currencies, is flat this morning at 95.46. The index has been flat in recent days, in contrast to the volatile two prior weeks.

Safe-havens: Precious metals have rallied this week, as prices see some relief after a move lower at the end of January when markets were pricing in even tighter monetary policy for 2022. Gold is at \$1,833 on Thursday morning, with the more volatile silver 3.7% stronger this week at \$23.34.

Government bond yield curves have flattened slightly again this week, with just 0.58% the difference between the US 10yr and 2yr yields at last night's close. Similarly, there is just 0.44% between the region's 30yr and 5yr yields.

Bonds on both sides of the Atlantic have sold off fairly sharply since the start of the year. This move was driven by the prospect of more rate hikes in the US, UK, and even the Eurozone than was previously envisaged last year.

Looking ahead: Following releases this morning from KBC, TotalEnergies, Siemens AG, Credit Suisse, AstraZeneca, and Unilever, later today we are due to hear Q4 reports from Twitter, Pepsico, and Coca-Cola. On Friday Enbridge, Under Armour, Volvo, and British American Tobacco will all be releasing. The main focus of the afternoon will be the US CPI inflation result, expected at 7.3% y/y. This result will be important for Fed policy going forward, and has the potential to bring some volatility back into markets towards the end of this week.

Key Events to Watch

10/02/2022 - US CPI
11/02/2022 - UK Q4 GDP
16/02/2022 - UK CPI
16/02/2022 - Fed Meeting Minutes

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,587	1.45%	-3.76%
DAX	15,482	1.57%	-2.54%
EuroStoxx	4,204	1.81%	-2.19%
ISEQ	8,419	1.91%	-0.30%
FTSE	7,643	1.01%	3.51%
Nikkei 225	27,696	0.42%	-3.81%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1422	0.07%	0.54%
EUR/GBP	0.8438	0.13%	0.45%
GBP/USD	1.3532	-0.07%	0.10%
USD/CHF	0.9243	-0.04%	1.25%
USD/JPY	115.49	-0.04%	0.45%
EUR/JPY	131.91	0.02%	0.99%

Fixed Income	Value	Daily Change
US 10yr	1.945	-0.020
US 2yr	1.366	0.021
German 10yr	0.220	-0.044
Irish 10yr	0.748	-0.072
UK 10yr	1.431	-0.060
Japanese 10yr	0.220	0.009

Financial News Round Up

Disney

The Walt Disney company, commonly just known as Disney, reported strong fiscal first quarter results (ending January 1st) last night, easing some investor concerns around the potential end of the streaming video boom. The company saw a robust rise in new subscribers to its Disney Plus network over the three-month period and made a forecast that new releases planned for this year will bring in more viewers in the quarters to come.

Disney's theme parks saw their revenue rise to \$7.2b, above pre-pandemic levels and up from the \$3.5b seen one year earlier when heavy restrictions were still in place. In terms of overall earnings, Disney saw an EPS of \$1.06 over the quarter, far exceeding Wall Street estimates for just \$0.63, and up from the \$0.32 seen one year prior. Total subscribers stood at 129.8 million at the beginning of January (11.8m added in fiscal Q1), above expectations for 125 million.

The shares, which traded on a forward P/E of 36 times and EV/EBITDA of 22 at last night's close, are currently just shy of 8% higher in pre-market trade in New York, due to open at \$158.56.

Unilever

Multinational consumer goods firm Unilever plc (market cap of \$134.24b, just outside the world's 100 largest companies) has forecast higher revenue for the year ahead, albeit with lower margins as the firm deals with soaring inflation in many of its regions.

Unilever announced a 4.9% increase in underlying sales y/y, beating analysts' expectations for just 3.8%. For the full year, underlying sales growth was 4.5%, Unilever's strongest for nine years. In terms of forward guidance, the company forecast growth of between 4.5% and 6.5% this year.

Management dealt with significant investor criticism last month after the company's failed pursuit of GSK's consumer health business. This fiasco led to significant volatility for what is normally a relatively stable stock, as it fell 11.5% before undoing all of this move. The shares are about 2% lower on Thursday to €44.45, now 5.6% weaker so far in 2022 but yielding an enticing 3.8% at these levels.