

# Daily Update

Your daily market news, moves  
and outlook



## Markets Outlook

**Equities:** The main indices are about 1% weaker on Friday morning, most of Europe is now looking to finish the week slightly lower. We note that the region is still faring better than the US at present, the EuroStoxx50 is currently down 3.5% YTD while the S&P500 is at around -6%. The VIX is at \$25 today, as futures in the US edge lower. Market participants have one eye on inflation and the Fed at the moment, with the other on the Russia-Ukraine situation.

Positive Q4 earnings results so far have served to underpin equity markets, especially in the Eurozone and UK. Based on results so far blended with forecasts, Europe is expected to see a y/y EPS increase of 56%, while the US is expected at 29%.

**Safe-havens:** US Treasuries continued their sell-off on Thursday, after the region's 7.5% 40-year high inflation print. The benchmark US 10yr yield moved above 2.0% for the first time since August 2019. Yield curves flattened sharply again this week, as the US 2yr yield soared yesterday to 1.64%. Eurozone yields have been more stable over recent days, the German 10yr slightly lower to 0.26% and 2yr to -0.35%.

**Currencies:** FX markets saw mixed and generally choppy trade on Thursday, driven by the Dollar after the region's beat of inflation expectations. The Dollar index saw movements in both directions shortly after the data release, before calmer heads prevailed and the currency edged higher into this morning to 95.83. EUR/USD was also helped lower last night after comments from ECB President Lagarde, when she stated that tightening policy too quickly in Europe could harm our economic recovery, and that the Eurozone should not be compared to other regions. EUR/USD currently at 1.14.

**Looking ahead:** Next week looks to be quieter in terms of both earnings releases and the regular economic data calendar. Over the course of the week we will hear fourth quarter results from the likes of Avis Budget Group, Airbnb, Marriot, Nvidia, Cisco, Walmart, and some smaller names. This afternoon we are due to get US Consumer Sentiment data for the current month, in what will otherwise be a quiet rest of the day. Releases worth noting next week include Tuesday's Eurozone Economic Sentiment and US PPI results, and Wednesday's UK CPI, US Retail Sales, and Fed meeting minutes release.

## Friday, 11th of February

## Key Events to Watch

15/02/2022 - Eurozone Economic Sentiment  
16/02/2022 - UK CPI  
16/02/2022 - US Retail Sales  
16/02/2022 - Fed Meeting Minutes

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,505	-1.81%	-5.50%
DAX	15,490	0.05%	-2.48%
EuroStoxx	4,197	-0.17%	-2.36%
ISEQ	8,513	1.12%	0.82%
FTSE	7,672	0.38%	3.90%
Nikkei 225	27,696	(Closed)	-3.81%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1427	0.04%	0.20%
EUR/GBP	0.8428	-0.12%	0.13%
GBP/USD	1.3555	0.17%	0.11%
USD/CHF	0.9252	0.10%	1.66%
USD/JPY	116.00	0.44%	0.80%
EUR/JPY	132.55	0.49%	1.00%

Fixed Income	Value	Daily Change
US 10yr	2.043	0.098
US 2yr	1.609	0.243
German 10yr	0.292	0.072
Irish 10yr	0.859	0.098
UK 10yr	1.533	0.101
Japanese 10yr	0.230	(Closed)

## Financial News Round Up

### UK GDP

The United Kingdom has seen its latest set of GDP results this morning, with its fourth-quarter q/q reading coming in at 1.0% vs estimates for 1.1%. GDP for December was at -0.2% m/m vs expectations for -0.5%.

This equates to a 7.5% expansion for the UK over the course of 2021, its largest since 1941 and also making Britain the fastest-growing economy last year. We must remember however that the UK suffered a deeper pandemic recession than its major peers, when it contracted by 9.4% in 2020.

Without a doubt, these figures will be welcomed by Boris Johnson, who is facing criticism and calls to resign over alleged rule breaking parties while the country was in lockdown. Johnson is also currently grappling with a fairly severe cost of living crisis across the region.

The Bank of England last week forecast that output, on a quarterly basis, would return to its pre-pandemic size by the end of March this year. It is worth noting that the bank also envisages a 30-year-high inflation reading of circa 7.25% in April.

### US Inflation

The United States witnessed a 40-year high inflation result yesterday, with prices rising by 7.5% last month, versus January 2020. This is against analysts' forecasts for 7.3%, and the prior month's 7.0%. Looking at the country's 'Core CPI' reading, which strips out volatile items such as energy and food, the result for January was still 6.0% y/y, vs 5.9% estimates and the previous 5.5%.

Government bond yields in the US have surged after these releases, as investors around the globe now price in further central bank tightening for the months ahead in the States. Based on the Federal Funds futures market this morning, investors are now pricing in just a 14% chance that the Fed will hike rates by 25bps next month, and an 86% chance that it will actually be a 50bp 'double-hike'. Markets are now looking for rates in the US to be between 1.75% - 2.00% by the end of 2022.