

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Equities: The main equity indices on the continent are about 3.5% weaker on Monday morning, after Asian markets saw lower trade overnight as geopolitical concerns ratcheted higher and inflation concerns lingered. While markets have been concerned about faster central bank tightening for some time now, the seemingly more urgent matter this week will be around a Russian invasion of Ukraine. The EuroStoxx50 has breached a support line and is now trading its lowest prices (c.€4,010) since early October. Looking at the US, S&P futures are 1% lower this morning, bringing the VIX up to a two-week high of \$31.50. Markets in the US are now looking for a 50bp 'double-hike' from the Fed next month after the region saw a 40-year high inflation print last week (at 7.5% y/y).

Commodities: Increased tensions between Russia and Ukraine have helped push energy prices higher, Brent crude and WTI crude oil both saw seven-year highs when futures opened last night, at \$96 and \$94.90 respectively. European natural gas contracts for next-month delivery soared by 12% to €83.40 as traders panicked about supply given the latest Ukraine developments.

Monday, 14th of February

Currencies: The Dollar continues to see a safe-haven related bid at the start of this week, EUR/USD now down to 1.13 and GBP/USD to 1.35. This move comes as traders remain on edge as pressure and tensions build further between Russia and NATO nations. The Russian Ruble suffered its worst daily fall in nearly two years on Friday, as the prospect of sanctions on Russia grew. USD/RUB currently at 77.22. Something that will be on the agenda for currency traders on Monday will be ECB President Lagarde's speech at 4:15pm when she addresses the European Parliament. Voting member of the Fed James Bullard is also due to speak during the afternoon.

Safe-havens: Precious metals are climbing on Monday as a result of growing uncertainties and volatility among risk assets. Gold has opened higher, currently at \$1,857 and approaching a fairly significant resistance point around \$1,875. Similarly, silver continues to edge higher this morning, now at \$23.72. Bonds are mixed as market participants attempt to weigh up a potential war in the Ukraine with the likelihood that the Fed will now tighten more aggressively this year. Treasury yields in the US are slightly higher on the front-end on Monday, the nation's 2yr at 1.53%. European yields have mostly opened lower as the region's equities sharply sell off.

Key Events to Watch

- 14/02/2022 - ECB's Lagarde speaks
- 15/02/2022 - Eurozone Economic Sentiment
- 16/02/2022 - UK CPI
- 16/02/2022 - Fed Meeting Minutes

Financial News Round Up

The Week Ahead

It is looking like the main focus for investors this week will likely be around Ukraine and any step up in tensions or indeed any acts of war. Yesterday we saw the US National Security Advisor Jake Sullivan tell CNN that there is "a distinct possibility that there will be major military action very soon". We acknowledge that these tensions are hovering over what has already been shaky investor sentiment as a result of persistently strong inflation readings and a hawkish tilt from the major central banks.

Breaking down the calendar day-by-day: Monday is not set to have any major economic data releases, however markets will be focused on Fed member Bullard's CNBC interview at 4pm and ECB Lagarde's speech at 4:15pm. Tomorrow morning will see the release of Eurozone economic sentiment figures for the current month, followed in the afternoon by US PPI (Producer Price Index) which will be important in the context of higher inflation.

On Wednesday morning we are due to hear the UK's CPI inflation result for January, forecast at 5.4% y/y and in-line with the prior month. US Retail Sales will also be released on Wednesday, as will the minutes from the Fed's most recent monetary policy meeting. Thursday and Friday will be quieter from a data standpoint, we will however hear from a range of Fed speakers.

From an earnings perspective, many smaller names will continue to release this week, however there will be nothing from a major weighted index point of view. Releases of interest will come from Roblox, Engie, and Airbnb on Tuesday, Nvidia, Heineken, and Cisco on Wednesday, and also Walmart on Thursday.

Irish Construction

According to BNP Paribas' Real Estate Ireland Construction Total Activity Index (the first result from BNP Paribas, which used to come from Ulster Bank), the country's construction sector accelerated at the beginning of 2022 as demand continued to surge and the impacts from Omicron faded away relatively quickly. The figure came in at 56.1 for January, up from December's 53.7, and still well in expansionary territory.

Construction activity in Ireland has now increased for nine consecutive months, with firms mainly linking the latest rise to improving demand.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,418	-1.90%	-7.29%
DAX	15,425	-0.42%	-2.89%
EuroStoxx	4,155	-1.00%	-3.33%
ISEQ	8,504	-0.11%	0.71%
FTSE	7,661	-0.15%	3.74%
Nikkei 225	27,079	-2.23%	-5.95%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1349	-0.68%	-0.19%
EUR/GBP	0.8367	-0.72%	-0.26%
GBP/USD	1.3560	0.04%	0.11%
USD/CHF	0.9256	0.04%	1.43%
USD/JPY	115.41	-0.51%	0.27%
EUR/JPY	130.98	-1.18%	0.05%

Fixed Income	Value	Daily Change
US 10yr	1.918	-0.125
US 2yr	1.487	-0.122
German 10yr	0.287	-0.005
Irish 10yr	0.855	0.001
UK 10yr	1.552	0.019
Japanese 10yr	0.212	0.003