

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Equities: European markets recovered yesterday after initially opening lower, the EuroStoxx50 briefly touched its lowest prices since May 2021. The index has since bounced, up by 1.4% on Wednesday and still outperforming US indices YTD. Russian markets remain closed for a bank holiday today, after their recent c.15% drop. The Russia-Ukraine crisis continues to dominate the headlines, however sanctions so far have been less severe than expected. The EU and US have warned that stricter sanctions will be imposed if the Russian incursion deepens. VIX lower to \$27.35 at the time of writing, as S&P futures move higher this morning. The mounting geopolitical concerns may further complicate the next move by the Fed, which has so far signaled it will prioritize bringing down inflationary pressures.

Currencies: FX markets are mostly remaining subdued despite significant geopolitical concerns, the Dollar index has traded in a tight range this week and last, around 96.00. Dollar traders seem more concerned with waiting for the Fed meeting next month. The Russian Ruble has seen sharp losses this week, USD/RUB is up 2.75% since Monday to 79.43, yesterday touching 4-month highs.

Key Events to Watch

24/02/2022 - US GDP

25/02/2022 - US Core PCE inflation

01/03/2022 - RBA Rate Decision

02/03/2022 - BOC Rate Decision

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,304 | -1.01% | -9.68% |
| DAX | 14,693 | -0.26% | -7.50% |
| EuroStoxx | 3,985 | -0.01% | -7.28% |
| ISEQ | 8,035 | -0.32% | -4.84% |
| FTSE | 7,494 | 0.13% | 1.49% |
| Nikkei 225 | 26,449 | (Closed) | -8.13% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.1325 | 0.13% | -0.25% |
| EUR/GBP | 0.8333 | 0.22% | -0.76% |
| GBP/USD | 1.3582 | -0.12% | 0.54% |
| USD/CHF | 0.9214 | 0.63% | 0.98% |
| USD/JPY | 115.08 | 0.30% | 0.00% |
| EUR/JPY | 130.33 | 0.43% | -0.24% |

| Fixed Income | Value | Daily Change |
|---------------|-------|--------------|
| US 10yr | 1.944 | 0.071 |
| US 2yr | 1.561 | 0.125 |
| German 10yr | 0.243 | 0.043 |
| Irish 10yr | 0.848 | 0.019 |
| UK 10yr | 1.470 | 0.065 |
| Japanese 10yr | 0.191 | (Closed) |

Wednesday, 23rd of February

Safe-havens: Bond yields have flattened in the US so far this week, the spread between the region's 10yr and 2yr Treasury is back down to 0.36% and flirting with its lowest level since mid-2020. Bond yields pulled back last week as some investors sought the safe-haven asset amid concerns over a war in Eastern Europe. In recent days, yields have resumed their move higher, especially in the US where short-dated Treasury yields are pushing once again for multi-year highs. US 2yr at 1.617% this morning, 10yr at 1.97%.

Precious metals are off their recent highs, gold is half a percent lower today to \$1,896, however still 3.6% stronger YTD. Silver trades lower this morning, still roughly 3% higher so far in 2022.

Looking ahead: After the RBNZ pushed ahead with their expected 25bp rate hike last night (to 1.00%), the next central bank releases will come next week from the Reserve Bank of Australia and Bank of Canada. Tomorrow focus will be on the US Q4 GDP (forecast at 7.0% q/q) release and then Friday's US Core PCE inflation (forecast at 5.1% y/y).

After what was a relatively busy morning for European earnings results, tomorrow will see releases from AXA, Lloyds Banking Group, Grafton Group, Alibaba, Royal Bank of Canada, and Moderna.

Financial News Round Up

Barclays

Barclays bank has this morning reported a record annual profit for 2021, returning £2.5 billion to investors via its payouts and buyback schemes, as bad loan charges fell and its investment bank continued its robust performance.

Pretax profits came in at £8.4b, beating analysts' forecasts and nearly tripling the £3.1b seen a year prior. Barclays announced that its investment bank division saw its strongest ever profit at £5.8b, mostly due to a 34% jump in deal advisory fees. This helped to offset a 16% decline in markets income.

Barclays stock is trading roughly 2% higher this morning to £1.937, now 3.7% stronger YTD. The shares trade on a forward P/E of around 6.5x at these levels, and a trailing P/E of just under 6x (vs industry 6.8x). Barclays has a dividend yield of over 2%, having restored its payout to £0.40 per share last year after its dividend break in 2020.

Danone

Danone, the world's largest yogurt producer, has seen its shares jump by just over 4% to €56.80 this morning following a stronger than expected set of results for the fourth quarter. This also comes as its new CEO said much remained to be done to turn the company around. Antoine de Saint-Affrique, who took over back in September, indicated that investors will have to wait until Danone's Capital Market day in early-March to get clues on his strategy and guidance for the year ahead.

Like-for-like sales increased by 3.4% over the whole year, beating forecasts slightly, while Q4 alone saw an increase of 6.7% (above estimates for 5.5%). 2021 operating margin fell from 14% to 13.7%, in line with expectations.

Rio Tinto

Rio Tinto, the world's second largest metals and mining firm and largest producer of iron ore, has today released a robust set of annual results, while also stating that it would pay a dividend of close to \$8 billion after it cashed in on surging prices for its critical commodities. The company, which is listed in both London and Sydney, said it will pay a final dividend of \$4.17 a share plus a special dividend of \$0.62. This, on top of its payout from July, brings the total dividend to \$9.14 per share for the year, equating to a dividend yield of almost 12% at current levels - the second biggest payout in the history of the FTSE100.