Daily Update

Your daily market news, moves and outlook

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Markets Outlook

Friday, 11th of March

Equities: Stock markets in Europe and the UK are roughly 1% stronger on Friday morning, looking to undo some of yesterday's move lower. Stronger UK GDP results this morning have likely helped sentiment somewhat.
Despite the shocking situation between Russian and Ukraine being the main focus at the moment, markets have plenty to be thinking about at present, hence the volatile moves in both directions. Other themes include general geopolitical instability between Russia and the West, soaring commodity prices leading to even higher inflation than was previously expected, and of course the hawkish tilt by most central banks. Markets will now begin to look towards next week's central bank meetings. VIX is at $29.90 at the time of writing.

Currencies: The ECB meeting this week created some volatility for the Euro, with the common currency initially rallying after the central bank's surprise announcement regarding its asset purchases. However, EUR/USD is already back down to 1.098 on Friday and looking like it could push lower. Much will depend on the Fed's language next week and the extent of their hawkishness.

Safe-havens: Fixed income investors seem to be taking their eye off Ukraine and are instead concentrating on persistently high inflation. The Fed will need to address inflation when they meet next week, after the US yesterday saw a CPI reading for February come in at a 40-year high of 7.9% y/y. Shorter-duration yields have risen as a result, the US 2yr sitting at a two-year high of 1.71%, while the 10yr equivalent is nearing 2% once again.
Despite its relatively sharp pullback in the middle of the week, gold is still trading higher on the week, currently at $1,997 and 9% higher YTD. The metal has gained from the growing list of uncertainties regarding the war in Ukraine, with traders now eyeing up the previous all-time high of c.$2,070.

Looking ahead: In terms of data points, Friday afternoon will be relatively quiet. We will however get the monthly Canadian Unemployment Rate and a US Consumer Sentiment figure later today. Clocks in the US and Canada will go forward by an hour this weekend, 2 weeks ahead of our time change.
The highlight of next week from an economic data point of view will be the Federal Reserve's monetary policy statement on Wednesday evening. This will be followed by the same on Thursday from the Bank of England, and then the Bank of Japan overnight on Thursday.

Key Events to Watch

11/03/2022 - US Consumer Sentiment
13/03/2022 - US Daylight Saving Time Shift
16/03/2022 - Fed Rate Decision
17/03/2022 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,259	-0.43%	-10.63%
DAX	13,442	-2.93%	-15.38%
EuroStoxx	3,651	-3.04%	-15.05%
ISEQ	6,900	-1.44%	-18.28%
FTSE	7,099	-1.27%	-3.87%
Nikkei 225	25,162	-2.05%	-12.60%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0983	-0.83%	-3.31%
EUR/GBP	0.8392	-0.11%	0.01%
GBP/USD	1.3083	-0.73%	-3.30%
USD/CHF	0.9300	0.41%	1.96%
USD/JPY	116.13	0.27%	1.43%
EUR/JPY	127.55	-0.55%	-1.89%

Fixed Income	Value	Daily Change
US 10yr	1.993	0.042
US 2yr	1.702	0.027
German 10yr	0.272	0.081
Irish 10yr	0.943	0.020
UK 10yr	1.529	0.007
Japanese 10yr	0.181	-0.010

Financial News Round Up

UK GDP

This morning we saw GDP figures for the United Kingdom, the region seeing m/m growth of 0.8% during January, versus the consensus view for just 0.1% and the previous -0.2%. This unexpected growth, which comes after Britain's Covid-related lull in late-2021, comes along with soaring inflation in the region and raises the odds for an interest rate hike by the Bank of England next week. This 0.8% rise represents the UK's strongest monthly expansion since June.
According to the Office for National Statistics (ONS), all of Britain's main sectors grew by more than expected, with the wholesale and retail sector as well as pubs and restaurants being particular drivers.

ECB Yesterday

The European Central Bank yesterday opted to leave interest rates unchanged, as was widely expected by market participants. However, investors were surprised to hear that the ECB now plans on ending its asset purchases in the third quarter. The bank will reduce its bond buying at faster pace than was previously planned for, lowering it to €40b in April, €30b in May, and €20b in June.
ECB President Lagarde stated that she still expects robust domestic demand as high household savings are utilised due to fiscal support, the recovery from the pandemic, and strong labour markets. Almost two rate hikes are now priced in for the Eurozone in 2022. We would not be surprised to see only one or even no hikes, especially if energy prices and inflation can moderate slightly. According to the bank's updated projections, the Eurozone is set to see growth this year of 3.7% (vs previous 4.2% expectation), and inflation of 5.1% (vs prev. 3.2%). Importantly, inflation is set to fall back to 2.1% next year and 1.9% in 2024.

Rivian

The world's 3rd largest electric vehicle manufacturer and 12th largest automaker Rivian saw its shares tumble by over 6% to $41.16 last night after it warned that supply chain problems will halve its production capabilities to 25,000 units this year. The firm was founded back in 2009 and recently IPO'd at around $106, having lost 61% of its value since. Rivian has produced 1,410 vehicles so far this year, with a total of 83,000 pre-orders currently in place for its pick-up and SUV models. During Q4, the firm booked revenue of $54m from the delivery of 909 units, short of analysts' expectations for $60m.