Daily Update

Your daily market news, moves and outlook

SEASPRAY PRIVATE
Creating Investment Solutions

Markets Outlook

Tuesday, 15th of March

Equities: Stock markets in Europe are seeing continued volatility this week, with the main indices about 2.5% weaker at the time of writing. Traders are attempting to digest the complicated situation in Ukraine whilst also positioning for the Fed and BOE releases due over the next couple of days. We must point out that overnight the EU widened its sanctions on Russia once again. It is worth noting that during corrections such as the current one, markets can see strong 1 or 2-day moves to the upside, the EuroStoxx50 is still 8% above its low point from last week, having jumped by 7.5% last Wednesday. Futures in the US are slightly lower on Tuesday morning, pushing the VIX 'fear gauge' up to $33.70.

Currencies: There has been a mixed tone to investor sentiment so far this week, currencies have seen mixed trade and will likely see lower volumes and volatility until we get further clarity from central banks over the coming days. The Euro is seeing some relief this morning, having suffered over the past few weeks and throughout the invasion. EUR/USD is half a percent stronger to 1.10, EUR/GBP 0.25% higher to 0.843.

Safe-havens: Gold is trading down by 1.5% to circa $1,930 this morning, moving lower alongside most commodities. Oil continues to pull back, Brent Crude now back to $100 for the first time in two full weeks. Investors are beginning to price in a higher chance that we will see some sort of diplomatic end to the war in Ukraine, at some point in the future.

Sovereign bond markets are taking a break from their sell-off of the past week or so, bringing yields marginally lower on Tuesday. The often-used global benchmark US 10yr yield touched a 32-month high of 2.15% on Monday, as investors anticipate a hawkish Fed this week, who will likely do whatever it takes at this point to tackle inflation.

Looking ahead: Following this morning's UK jobs data and Eurozone economic sentiment, this afternoon we are due to see the US PPI (Producer Price Index) for the month of February. ECB President Lagarde is also due to speak at an economic summit in Berlin later today.

The main data point of the week comes tomorrow at 6pm Irish time: the second FOMC (Federal Open Market Committee) meeting release of eight this year. The US central bank is fully expected to increase rates by 25 bps, and will likely tee themselves up for another hike at their May meeting.

Key Events to Watch

15/03/2022 - US PPI
16/03/2022 - US Retail Sales
16/03/2022 - Fed Rate Decision
17/03/2022 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,173	-0.74%	-12.44%
DAX	13,929	2.21%	-12.31%
EuroStoxx	3,741	1.47%	-12.97%
ISEQ	7,192	1.55%	-14.82%
FTSE	7,193	0.53%	-2.59%
Nikkei 225	25,346	0.15%	-11.97%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0939	0.06%	-3.21%
EUR/GBP	0.8412	0.42%	0.36%
GBP/USD	1.3000	-0.38%	-3.64%
USD/CHF	0.9385	0.40%	2.89%
USD/JPY	118.18	0.55%	2.55%
EUR/JPY	129.28	0.61%	-0.74%

Fixed Income	Value	Daily Change
US 10yr	2.142	0.103
US 2yr	1.865	0.079
German 10yr	0.373	0.103
Irish 10yr	1.021	0.117
UK 10yr	1.610	0.097
Japanese 10yr	0.206	0.005

Financial News Round Up

Possible Russian Default

Russia is due to make two interest payments on its dollar-denominated bonds tomorrow, but it is still unclear to us whether western investors will actually receive their cash (and in what currency), potentially lining up a uniquely messy government debt default. This would be Russia's first default since 1998, and its first on foreign-currency debt since the Russian Revolution in the early 20th century.

Moscow is scheduled to pay out a total of $117 million in interest payments on two of its bonds, with the usual 30-day grace period applying. As we understand it, the country's finance ministry has ordered the payments to be made as usual, but has stated that its ability to do so may be somewhat impeded by western sanctions.

We note that markets have already largely priced in a default - Russia's foreign bonds are trading at roughly 20% of their face value at present. Rating agencies have also downgraded Russia to the very lowest 'junk' status, with Fitch Ratings saying that a default is "imminent".

Separately, but crucially: China's foreign minister has reportedly told his Spanish counterpart that China does not want western sanctions imposed in response to Russia's invasion of Ukraine to affect it. This is one of the clearest signals yet of Beijing's stance on the US-led restrictions. We note that the United States has threatened consequences if China helps Russia evade the current sanctions.

H&M

Swedish multinational clothing firm H&M today reported a 23% increase in its Q1 sales, coming in in-line with analysts' forecasts, as the world's second largest fashion retailer attempts to rebuild after the drawn out Covid crisis. Net sales for the fiscal first quarter (to February-end) were 18% higher in local currency terms. The firm's full quarterly earnings report is due to be released at the end of this month.

The shares are trading almost 2% lower to 144 Swedish Krone, slightly stronger than the broad market this morning. H&M has moved 19% lower YTD so far and trades on a TTM P/E of 22x (in line with industry average) and a forward P/E of just under 17x. The shares are yielding a notable dividend at these levels of 4.4%, in the top 25% dividend payers within its market and above the industry average of 4.2%.