

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Wednesday, 13th of April

Equities: The main indices in Europe are quiet this morning, trading flat to slightly lower. We expect volatility and volumes to remain low ahead of the beginning of the Q1 corporate earnings season and ahead of the important ECB monetary policy statement tomorrow. Fighting in Ukraine also continues to dampen risk sentiment for European markets especially - Ukraine have announced the arrest of one of Putin's allies in a 'lightning-fast' operation as civilians look to flee eastern Ukraine in advance of a widely forecast attack.

Hopes for a prompt end to the war were discarded after Vladimir Putin yesterday vowed to continue the invasion, stating that peace talks were "at a dead end".

VIX at \$23.20 on Wednesday morning.

Currencies: Euro pairs will most likely see very quiet trade until we get further clarity from the ECB tomorrow in the early afternoon. EUR/USD is sitting near a major support line at 1.083 today after moving lower on Tuesday, should this line be breached the pair would trade its lowest levels since May 2020. EUR/GBP is near the mid-point of its 2022 range - flat on the session at 0.833.

Safe-havens: Precious metals have benefited this week as the prospect of a peaceful end to the Ukraine war fades away. Gold gained 1.4% yesterday and is now at \$1,975 for the first time since mid-March, boosted by Ukraine developments but also by strong inflation results out of the US and UK over the past 24 hours. However, a strong dollar is keeping somewhat of a cap on prices, at least for now.

Bond yields touched fresh highs yesterday once again - the benchmark US 10yr briefly reaching 2.8% (highest since December 2018) and UK 10yr hitting 1.9% (first time since early 2016).

Looking ahead: Earnings will be in focus for US markets today, as we see the beginning of yet another quarterly reporting season. JP Morgan are up first, expected to release results before noon today, and will be followed by BlackRock and Delta Airlines before the opening bell in New York this afternoon.

The Bank of Canada are likely to increase interest rates when they release this afternoon (3pm), with the market expecting a 50bp rate hike which would bring Canada's main rate to 1.00%.

Key Events to Watch

- 13/04/2022 - Q1 Earnings Season begins
- 13/04/2022 - BOC Rate Decision
- 14/04/2022 - ECB Rate Decision
- 14/04/2022 - US Retail Sales

Financial News Round Up

Inflation

This morning we saw the release of the UK's CPI inflation reading for the month of March, which came in stronger than expected at a y/y result of 7.0% versus analysts' estimates for 6.7%. Core CPI came in at a slightly more moderate 5.7% (vs 5.3% expectations).

This inflation result is a 30-year high for the United Kingdom and comes amid surging fuel prices around the world. We must also point out that this result was more than three times the Bank of England's target of 2%, and is above the rate of "around 6%" that it forecast at its last meeting. The BOE expects inflation to reach around 8% during April and possibly to rise further in the autumn following the increase in an energy price cap set by the regulator.

This inflation result for the UK comes after the US yesterday saw its highest y/y CPI reading since 1981, coming in at 8.5% (vs 8.4% forecast). The region's Core CPI result offered investors and consumers some slight comfort as it came in at 6.5%, below expectations for 6.6%. The monthly CPI jump for the US was the highest for the nation since September 2005, at 1.2%, and a sharp acceleration from the 0.8% increase witnessed in February.

JP Morgan

JP Morgan, the largest bank in the US measured by assets, is the first among a lineup of mega banks set to unveil Q1 results over the next couple of days as earnings season kicks off. The results are due to be released before noon today (Irish time), and may indeed set the tone for other banks' earnings to come today and tomorrow.

JP Morgan's adjusted revenues are forecast to come in at \$31.44 billion vs Q4's \$30.35b, while adjusted EPS is expected at \$2.72 vs \$3.33 in the previous quarter. Wednesday's report is poised to reflect a fairly muted three months for the banking giant. Revenue is expected to decrease by 5% compared to Q1 of 2021, with EPS forecast to come in 40% below that of a year prior.

One figure that will be closely watched this time around for JP Morgan will be the bank's net interest margin, which is estimated to be around 1.65%. Net interest margin represents the difference between the bank's earnings on its lending activities and interest it pays to depositors. The figure clearly should benefit from higher interest rates in the United States later this year, but may still be relatively flat for the time being.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,397	-0.34%	-7.74%
DAX	14,124	-0.48%	-11.08%
EuroStoxx	3,831	-0.21%	-10.86%
ISEQ	7,124	-0.43%	-15.63%
FTSE	7,576	-0.55%	2.60%
Nikkei 225	26,843	1.93%	-6.72%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0826	-0.52%	-4.76%
EUR/GBP	0.8325	-0.32%	-0.82%
GBP/USD	1.2997	-0.25%	-3.94%
USD/CHF	0.9331	0.28%	2.35%
USD/JPY	125.35	0.00%	9.62%
EUR/JPY	135.70	-0.53%	4.40%

Fixed Income	Value	Daily Change
US 10yr	2.727	-0.047
US 2yr	2.405	-0.094
German 10yr	0.797	-0.016
Irish 10yr	1.395	-0.031
UK 10yr	1.808	-0.040
Japanese 10yr	0.231	0.003