

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Thursday, 12th of May

Equities: Following a broadly positive day in Europe yesterday where markets rallied on hopes that inflation fears might be overstated. When Europe had closed the US inflation data came out and it was marginally higher than expected. Headline U.S. consumer prices rose 8.3% for the 12 months to April, slower than the 8.5% pace of a month earlier, but higher than market forecasts for 8.1%. The result was that US markets whipsawed and closed sharply lower. The nervousness continued overnight in Asia with all markets dropping 2 - 3%. Early indications are that Europe will open lower giving up the gains of yesterday. Elsewhere in Europe fears of a trade war with the UK have been stoked again as the UK foreign minister has stated that the Northern Ireland Protocol could be dropped as early as next week. Markets will be watching this ploy today.

Currencies: The dollar hit a two-decade high on Thursday after U.S. inflation moderated less than markets had expected, keeping the Federal Reserve on course to tighten policy aggressively. The safe-haven greenback also got support amid a slide in global equities amid investor worries that central banks are behind the curve in trying to rein in consumer prices, with growth already facing risks from China's prolonged COVID-19 lockdowns

Fixed income: Despite the release of US inflation data that was slightly higher than forecast but as it was less than in March and so US 10 year bonds eased a little overnight to 2.86% well off its 3.1% last week. It indicates that bond markets believe further rate increases are coming but not as big as worst market fears. In Europe yesterday the head of the ECB, Christina Lagarde hinted that a rate hike could come by July with the possibility of up to 0.75% rate increases over the course of the rest of the year. Elsewhere this morning data released showed that Britain's economy shrank by 0.1% in March but expanded by 0.8% for the first quarter of 2022 as a whole, in what is likely to have been a high point for 2022 as the cost of living crisis increasingly bites. The fall in GDP was led by a 0.2% fall in output from Britain's dominant services sector. Overall GDP, on a monthly basis is now 1.2% above its pre-COVID level in February 2020. However economists see Britain at a growing risk of slipping back into recession.

Commodities: in commodity trade, oil wound back a bit of Wednesday's surge as growth worries dampened fear of gas supply disruptions in Europe. Brent crude futures fell 1.3% to \$106.90 a barrel. Overnight gold was nearly flat at \$1,852.36 per ounce

Key Events to Watch

- 12/05/2022 - UK preliminary GDP
- 12/05/2022 - US core PPI
- 12/05/2022 - US unemployment claims
- 13/05/2022 - EU industrial production M/M

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,935	-1.65%	-17.44%
DAX	13,829	2.17%	-12.94%
EuroStoxx	3,648	2.62%	-15.13%
ISEQ	6,973	1.85%	-21.11%
FTSE	7,348	1.44%	-0.50%
Nikkei 225	25,749	-1.77%	-10.57%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0508	-0.02%	-7.55%
EUR/GBP	0.8603	0.29%	2.44%
GBP/USD	1.2215	-0.28%	-9.73%
USD/CHF	0.9951	0.07%	9.10%
USD/JPY	129.45	-0.39%	12.43%
EUR/JPY	136.07	-0.37%	3.94%

Fixed Income	Value	Daily Change
US 10yr	2.857	-0.056
US 2yr	2.617	-0.460
German 10yr	0.915	-0.085
Irish 10yr	1.563	-0.080
UK 10yr	1.816	-0.012
Japanese 10yr	0.242	-0.007

Financial News Round Up

Aegon NV

The Dutch insurer with significant operations in the United States, reported a better-than-expected 7% rise in its q1 operating result to €463 million, citing lower U.S. claims and higher fees. Analysts had seen the operating result at €428 million for the three months ended on March 31, according to a company-compiled poll. In the USA, adverse mortality claims in the company's individual life insurance business, mostly due to COVID-19, were \$105 million, down from \$157 million in the same period a year earlier.

Cairn Homes

This morning the quoted house builder issued a trading update in advance of its AGM today. The company said it is expecting turnover of more than €600m from 1,500 closed new homes sales with about 1,300 of these forecast sales already closed or sale agreed. They reiterated the guidance for the year and said it expects to deliver €100m in operating profits, which will deliver an operating margin of about 16.5%. It also said that shareholder returns for the year will amount to a minimum of €115m through both ordinary dividends and share buybacks. The company said it expects total build cost inflation, including labour, materials and infrastructure, of circa 6% for this year. This inflation is incorporated in their full year guidance

Dalata Hotels

The Dublin quoted hotels group has announced the sale of the Clayton Crown hotel in London for £21 million. The 152 bed hotel was based in Cricklewood and the company said although it performed well they were focusing on hotels in central locations as demonstrated by the fact they are opening a new hotel in Shoreditch in central London in 2023.

Rolls Royce

In a trading statement issued this morning the engine manufacturer, Rolls-Royce said that they traded in line with expectations in the first four months of the year, helped by a gradual return to flying and increased government investment in defence. The British company reiterated its forecasts and set a medium-term outlook for its civil aerospace division, saying it expected underlying revenue growth at a low double-digit percentage compound average growth rate from 2021 and an operating margin percentage in the high single digits. It expects trading cashflow to comfortably exceed operating profit. Rolls has been hit hard by the pandemic because a large chunk of its revenue is tied to the number of hours its engines are flown by its airline customers.