

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Equities: European markets are seeing lower volatility on Thursday, in what is likely to be a quiet trading session for the continent. Some stock markets are closed today in observance of the Ascension Day bank holiday, including Denmark, Iceland, Norway, Sweden, and Switzerland. The Stoxx50 and Stoxx600 indices are roughly 0.25% stronger at the time of writing, trading marginally higher on the week so far.

Investors have reacted relatively well to the Fed's minutes, with US indices pushing higher last night and S&P500 futures pulling back only slightly this morning. The VIX 'fear gauge' index stands at \$28.43, still elevated somewhat from its longer-term average of around \$20.

Currencies: The main FX pairs operated in fairly tight ranges on Wednesday, dollar traders were focused on the Fed but we did not get any significant surprises to move the currency. Comments from ECB officials yesterday led the Euro slightly lower. A consensus seems to be forming at the central bank that we will have two 25bp hikes in Q3.

Thursday, 26th of May

Safe-havens: Gold has been quiet so far this week, we see Friday's US inflation data as having some potential to cause a decent move in the precious metal.

The spread between the US and German 10yr bond yields has continued to narrow this week, and is now at its lowest since late March. This comes as Treasury yields see a pullback and expectations for the ECB to bring rates into positive territory this year grow.

Looking ahead: Focus this afternoon for American investors will be on the region's Q1 GDP release, expected at -1.3% q/q. This data point may not have a big impact on markets due to the fact that it is the second Q1 result we are seeing for the US.

Tomorrow we will however get another important inflation reading for the region, in the form of the Core PCE figure. This is the Fed's preferred inflation metric and is forecast to come in at 0.3% m/m for April, and 4.9% y/y.

Key data next week will include Eurozone CPI inflation, the Bank of Canada monetary policy statement, and US non-farm payrolls.

Key Events to Watch

26/05/2022 - US GDP

27/05/2022 - US Core PCE inflation

31/05/2022 - Eurozone CPI inflation

01/06/2022 - BOC Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,978	0.95%	-16.52%
DAX	14,007	0.63%	-11.55%
EuroStoxx	3,677	0.81%	-14.27%
ISEQ	7,165	1.53%	-15.15%
FTSE	7,522	0.51%	1.97%
Nikkei 225	26,604	-0.27%	-7.60%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0680	-0.50%	-6.08%
EUR/GBP	0.8498	-0.78%	1.07%
GBP/USD	1.2564	0.28%	-7.04%
USD/CHF	0.9615	0.14%	5.37%
USD/JPY	127.31	0.40%	10.26%
EUR/JPY	135.97	-0.10%	3.55%

Fixed Income	Value	Daily Change
US 10yr	2.751	-0.003
US 2yr	2.502	0.022
German 10yr	0.955	0.001
Irish 10yr	1.549	-0.053
UK 10yr	1.916	0.027
Japanese 10yr	0.226	0.019

Financial News Round Up

Federal Reserve Minutes

The Fed made a strong commitment to 50 basis point increases in June and July, according to the minutes from their most recent meeting, which were of course released last night. "Most participants judged that 50 basis point increases in the target range would likely be appropriate at the next couple of meetings" read the minutes from the meeting on May 3rd and 4th.

The Fed is not usually as direct about what it will do in future meetings, as the central bank normally prioritizes flexibility to alter the course of its policy as data changes. But perhaps this new and more direct narrative from the world's most influential central bank is not too surprising, given the fact that the US is seeing its highest inflation levels since the early 1980s.

Participants "also noted that a restrictive stance of policy may well become appropriate depending on the evolving economic outlook and the risks to the outlook" - pointing to the possibility that the Fed may have to target an even higher level of interest rates, either by increasing the pace of its rate hikes, lengthening its tightening cycle, or both.

The US central bank did however add in a caveat - "Participants agreed that the economic outlook was highly uncertain and that policy decisions should be data dependent".

Nvidia

American multinational technology firm Nvidia (9th largest tech company in the world, market cap of \$423b) announced its results for its fiscal first quarter last night after the closing bell in New York.

Revenue came in ahead of analysts' expectations, at \$8.29b vs estimates for \$8.10, as did adjusted EPS at \$1.36 vs the expected \$1.29. Nvidia however did miss on its second-quarter revenue expectations. The company says it will see a \$8.1b result, while Wall Street was hoping for \$8.44b. The firm will reportedly miss out on some \$500m in revenue during the current quarter due to the war in Ukraine and the impact of lockdowns in China.

Investors sold the shares in after-hours trade, likely disappointed by the firm's lower estimates for Q2. The stock is set to open about 6% lower this afternoon at \$159.36.