

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Friday, 3rd of June

Equities: Stocks on the continent are looking to finish the week broadly flat, after seeing a slight boost on Friday morning. This morning's low volatility comes despite most European Services PMIs missing expectations. London's FTSE100 remains closed again today for the region's 4-day bank holiday weekend.

Traders are most likely remaining on the sidelines until we get further clarity about the state of the US jobs market this afternoon, figures due at 1:30pm.

The VIX stands at \$25.20 at the time of writing, and is roughly in the middle of its upwards-sloping channel of the past six or seven months.

Currencies: The main FX pairs are seeing very quiet trade on Friday morning, Dollar pairs in particular are expected to see lower volumes until this afternoon. Even EUR/GBP is flat at the time of writing around the 0.855 mark, the currency pair up by 1.8% so far in 2022.

USD did see some weakness yesterday as risk sentiment picked up and stocks rallied, the greenback undoing some small gains from earlier in the week.

Safe-havens: Sovereign bond yields in Europe have jumped this week on the back of Tuesday's record-high 8.1% Eurozone inflation result. While the ECB has mostly signaled for 25bp hikes in July and September, some market participants are likely looking to bet on a one-time 50bp increase this summer - something that we see as unlikely to occur in Europe.

The German and French benchmark 10yr bond yields have both hit their highest level since H2 2014 on Friday morning, at 1.27% and 1.79% respectively.

Looking ahead: The highlight of the day will come in the form of US jobs data, due to be released at 1:30pm Irish time. Next week will see a quiet start, countries such as Germany, France, Switzerland, and of course Ireland will have bank holidays on Monday. Tuesday and Wednesday will be quiet with the exception of the Reserve Bank of Australia's rate statement. Thursday's ECB meeting will be closely watched by all, the bank will look to tee itself up for a 25bp hike in July. The ECB will also release its latest economic projections (released 4 times a year). Next Friday we will get the US CPI inflation result for the month of May.

Key Events to Watch

- 03/06/2022 - US Non-Farm Payrolls
- 03/06/2022 - US Services PMI
- 09/06/2022 - ECB Rate Decision
- 10/06/2022 - US CPI

Financial News Round Up

Irish Services

This morning we got the release of Ireland's Services PMI for May, which fell to 60.2 from April's 61.7. This reading shows that the sector is still well in expansionary territory, Ireland's services sector has seen more than a year of rapid growth now, moderating only slightly last month as selling prices and input costs remained close to record highs.

This index has in fact seen expansion for 15 consecutive months now, coming in above 60 in all but five of these months. A run this strong has not been witnessed in the country since 2015, when a recovery from the financial crisis that hit Ireland particularly badly was starting to pick up steam. Our result for May was also comfortably ahead of that of the United Kingdom (51.8) and the Eurozone (56.3).

The fastest growth last month came from the transport, tourism, and leisure category, while the rate of job creation across the whole sector rose to a 10-month high.

Microsoft

Microsoft, the 3rd largest company in the world with a market cap of \$2.043 trillion, has decided to cut its revenue and profit outlook for the current quarter and has pointed to currency fluctuations. Microsoft said it now expects revenue of between \$51.94b and \$52.74b in its 4th fiscal quarter ending on June 30th, vs the previous guidance for \$52.4b - \$53.2b. This latest update highlights the currency risks for firms that have significant overseas earnings, and we would expect to hear similar downgrades from large US companies should the Dollar bounce and rally past last month's multi-year highs.

US Jobs Data

The United States is forecast to have added 325,000 jobs during the month of May, this compares to April's 428,000 and March's 431,000. The region's Unemployment Rate is forecast to come in at a very healthy 3.5% when it is released this afternoon, which would be a post-pandemic low for the figure.

This data, along with next Friday's US inflation release, will be watched very closely by investors of all timeframes, and will likely have an impact on the Fed's stance at their next meeting on June 15th.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,176	1.84%	-12.37%
DAX	14,485	1.01%	-8.81%
EuroStoxx	3,795	0.95%	-11.71%
ISEQ	7,180	0.69%	-14.97%
FTSE	7,532	(Closed)	2.01%
Nikkei 225	27,761	1.27%	-3.64%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0745	0.93%	-5.41%
EUR/GBP	0.8542	0.22%	1.81%
GBP/USD	1.2576	0.75%	-7.07%
USD/CHF	0.9581	-0.49%	5.02%
USD/JPY	129.83	-0.22%	12.89%
EUR/JPY	139.50	0.70%	6.79%

Fixed Income	Value	Daily Change
US 10yr	2.913	0.002
US 2yr	2.632	-0.016
German 10yr	1.232	0.051
Irish 10yr	1.800	0.037
UK 10yr	2.165	0.013
Japanese 10yr	0.231	-0.004