

# Daily Update

Your daily market news, moves  
and outlook



## Markets Outlook

### Thursday, 16th of June

**Equities:** Stock markets in Europe are about 2.5% weaker on Thursday morning, after what was actually a positive session on Wall Street last night and mostly higher indices in Asia overnight. Nervousness is building around future economic growth as central banks aggressively tighten policy to curb inflation.

Takeaways from yesterday's impromptu ECB meeting were mixed after the central bank agreed to use flexibility in its bond reinvestments, and has asked its committees to design a new anti-fragmentation tool - which will be designed to aid so-called peripheral EU nations such as Italy who have recently struggled with surging borrowing costs.

The Swiss National Bank unexpectedly hiked by 50bp earlier today, adding to investors' concerns about extreme hawkishness.

**Currencies:** The British Pound is trading lower ahead of today's BOE meeting release, down half a percent vs the Dollar and 0.35% vs Euro.

The Dollar index saw very choppy trade after the Fed release yesterday, eventually moving slightly lower as traders digested the data. The index, which measures the greenback against a basket of 6 other major currencies, trades at 104.80 on Thursday near its 19-year high of 105.56.

**Safe-havens:** Fixed income markets have seen significant volatility this week amid four scheduled and one unscheduled central bank meeting. Bonds were supported last night after the Fed's decision and also after the ECB moved to counter market volatility. Yields, which are inversely related to bond prices, fell after the release of the Fed's projections showed economic growth slowing to a below-trend rate of 1.7%, and that Fed officials are expecting to cut rates in 2024. This move has already been undone this morning, with yields surging once again as investors bring their focus back to multi-decade high inflation.

**Looking ahead:** This morning the Swiss National Bank moved to raise rates by 50bp unexpectedly, up to -0.25%, Switzerland's first hike in about 15 years. At midday today the BOE will make its latest monetary policy release, expected by markets to hike by either 25 or 50bp to a rate of 1.25% or 1.50%. Overnight tonight the Bank of Japan will follow suit, but are very much expected to be the odd one out this week and maintain their dovish stance with a rate of -0.10%. Tomorrow we will see the Eurozone 'Final CPI' figure for May, forecast at 8.1%. This is the second May CPI release and therefore should not move markets. The Fed Chair Jerome Powell will also speak tomorrow, in the early afternoon, investors will look for any hints or clarity about the Fed's meeting yesterday.

## Key Events to Watch

16/06/2022 - BOE Rate Decision

17/06/2022 - BOJ Rate Decision

17/06/2022 - Fed Chair Powell speaks

22/06/2022 - UK CPI inflation

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,789	1.46%	-20.48%
DAX	13,485	1.36%	-15.62%
EuroStoxx	3,532	1.64%	-18.31%
ISEQ	6,583	0.95%	-22.04%
FTSE	7,273	1.20%	-1.94%
Nikkei 225	26,431	0.40%	-8.20%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0443	0.28%	-8.57%
EUR/GBP	0.8572	-1.23%	2.54%
GBP/USD	1.2178	1.54%	-10.81%
USD/CHF	0.9941	-0.74%	9.37%
USD/JPY	133.83	-1.21%	16.89%
EUR/JPY	139.75	-0.95%	6.88%

Fixed Income	Value	Daily Change
US 10yr	3.292	-0.187
US 2yr	3.209	-0.230
German 10yr	1.639	-0.112
Irish 10yr	2.319	-0.174
UK 10yr	2.467	-0.128
Japanese 10yr	0.246	0.000

## Financial News Round Up

### Federal Reserve

The Federal Reserve last night executed its single largest rate hike in 28 years when it moved by 75 basis points to a new Federal Funds Rate of between 1.50% - 1.75%. In the days leading up to this event, markets began to come around to the idea that the US central bank would have to be more aggressive in tackling inflation and would do more than they previously did in May.

The Fed's 'dot-plot', which shows individual policymakers' interest rate projections, suggests that rates in the US will rise to 3.4% by the end of this year. This would indicate that the bank has another 75bp hike to implement, along with a couple of 50bp increases before they moderate to more typical quarter-point hikes. 3.4% is the median view of a list of Fed officials, and would be the highest level since January of 2008. The Fed is currently of the belief that this would be enough to slow the economy markedly and bring inflation back towards its 2% target.

"We don't seek to put people out of work" said Powell during his post-meeting press conference, adding that the Fed was "not trying to induce a recession".

"Our objective really is to bring inflation down to 2% while the labour market remains strong. What's becoming more clear is that many factors that we don't control are going to play a very significant role in deciding whether that's possible or not" the Chairman added, citing the war in Ukraine and global supply-chain problems.

### Bank of England Today

At midday today the BOE will publish its June rate statement, likely to follow in the footsteps of other major central banks and focus on tackling inflation rather than worrying about slowing growth in the region.

The main question for investors on Thursday is the size of the BOE interest rate increase; we could be looking at either 25bp or 50bp. The BOE has not hiked by 50bp since 1995, but may feel the pressure to do so after inflation in the UK reached 9.0% in April and is forecast at 9.1% for May.

The bank has already raised rates four times since December, when it became the first of the major central banks to do so amid surging prices. However, Britain's economy is already showing signs of a slowdown and is set to be the weakest among the world's big and rich nations next year, according to IMF and OECD forecasts.