

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Monday, 20th of June

Equities: European equity markets have begun the week on a positive footing, attempting to make up some of last week's losses. The EuroStoxx50 equity index is currently a quarter of a percent stronger on Monday morning. Traders around the continent will be waiting for any comments or hints on monetary policy from the ECB's Lagarde this afternoon, who will speak at 2pm and then again at 4pm. Markets will remain closed in the United States for a long bank holiday weekend, and are due to reopen tomorrow. Lower volumes as a result of this have led to choppy trade in Asia overnight. Equity investors continue to digest what was a string of major rate hike announcements last week. VIX at \$31.15 on Monday.

Currencies: FX markets had a volatile few trading sessions last week, with EUR/USD falling to 1.036 after the Fed release. The world's most traded pair then jumped to 1.06 on the back of dollar weakness before finishing the week flat around 1.05. The Japanese Yen continued its decline against other major currencies last week after an expectedly dovish BOJ.

Fixed income: It was an eventful week for fixed income markets last week, the asset class experienced heightened volatility amid a host of central bank rate hikes and an unexpected emergency meeting from the ECB. These hawkish changes to policy did increase concerns among investors that an overly aggressive pace of rate hikes could push economies into recession - and this forced parts of the US yield curve into inversion territory once again as longer-dated yields pulled back more sharply.

The spread between Italy and Germany's 10yr bonds narrowed last week after the ECB meeting, when the bank said it plans to develop an anti-fragmentation instrument to aid 'peripheral' Eurozone nations such as Italy whose cost of borrowing has risen sharply.

Commodities: Gold did move lower last week, briefly getting below \$1,810 before rebounding somewhat and trading flat this morning at \$1,840. Despite a strong Dollar, the precious metal has remained in positive territory YTD, up 0.25% since the start of the year and outperforming most asset classes. Oil prices moved lower last week on some fears of an economic downturn (and therefore oil demand) due to overly hawkish central banks. Brent Crude at \$112.60 today.

Key Events to Watch

20/06/2022 - US Bank Holiday

20/06/2022 - ECB President Lagarde speaks

22/06/2022 - UK CPI

22/06/2022 - Fed Chair Powell speaks

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,674	0.22%	-22.90%
DAX	13,126	0.67%	-17.01%
EuroStoxx	3,438	0.31%	-19.77%
ISEQ	6,516	0.96%	-22.83%
FTSE	7,016	-0.41%	-4.46%
Nikkei 225	25,771	-0.74%	-10.49%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0498	-0.46%	-7.45%
EUR/GBP	0.8586	0.59%	2.39%
GBP/USD	1.2224	-1.03%	-9.59%
USD/CHF	0.9697	0.32%	5.90%
USD/JPY	134.96	2.09%	17.11%
EUR/JPY	141.68	1.61%	8.39%

Fixed Income	Value	Daily Change
US 10yr	3.231	0.036
US 2yr	3.170	0.071
German 10yr	1.669	-0.034
Irish 10yr	2.336	-0.096
UK 10yr	2.496	-0.021
Japanese 10yr	0.317	0.066

Financial News Round Up

The Week Ahead

Markets over the coming days will continue to digest the slew of central bank releases from last week. We are due to see the ECB President Christine Lagarde speak twice this afternoon in Brussels.

Markets in the US will remain closed today in observance of the region's 'Juneteenth' Bank Holiday, after the S&P 500 registered its worst weekly performance since March 2020 last week. This decline also marked the benchmark index's 10th loss in the last 11 weeks - a move which is clearly unsustainable and has the potential to turn around this month or next.

Tuesday could also be relatively quiet for markets, the minutes from the Reserve Bank of Australia's most recent meeting will come due and Canada will release monthly Retail Sales results.

Wednesday morning will see the release of the UK's CPI inflation figures for the month of May, forecast at 9.1% (vs April's 9.0%) for the highest reading in over 40 years. On Wednesday afternoon Canada's CPI will come due, estimated to come in at 7.5% vs the previous 6.8%. Also on Wednesday will be the first of a two day testimony from the Fed Chair Jerome Powell. Powell has remained adamant that the US economy can avoid an economic slowdown, even as market participants lose confidence at the prospect of a "soft landing" - a period when economic growth is slowed just enough to alleviate inflation without spurring an economic downturn.

We will get June Services and Manufacturing PMI readings from both sides of the Atlantic throughout Thursday, which should give us more clarity around slowing growth in these regions. Finally, on Friday UK Retail Sales will be due, along with US Consumer Sentiment, which has plunged over the past year, during the afternoon.

Eurogroup Comments

The Eurozone is well placed to ride out recent market volatility and its economy will grow this year and next, according to the Eurogroup President and Ireland's Minister for Finance Paschal Donohoe. He went on to deny that the region is facing a crisis akin to that which struck a decade ago. Donohoe stated his beliefs that the Euro area now has "stronger architecture" and "deeper foundations for our common currency".

Since the region's debt crisis, the EU has bolstered its bank regulation with the creation of a pan-European supervisor and crisis-fighting infrastructure through a common resolution mechanism when lenders fail. The ECB also of course has new tools to purchase government bonds, while lawmakers created a recovery fund backed by common debt during the pandemic.