

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Wednesday, 22nd of June

Equities: The main equity indices in Europe are around 2% weaker at the time of writing on Wednesday morning, with the UK's FTSE100 index down 1.4% after the region's 40-year high inflation result. This data point today has only served to intensify investors' fears about inflation and the monetary policy tightening to combat it.

Equities in Europe are currently trading around last week's lows while futures in the US indicate a lower open today. Energy, tech, and consumer cyclicals are leading the sell-off. Also weighing on the market is a push by the Biden administration to bring down soaring fuel costs, an issue that is becoming a political problem ahead of November's mid-term elections. Jerome Powell's 2-day testimony which kicks off this afternoon could prove important for equity moves, at least in the near-term. VIX is currently trading at \$31.50.

Currencies: FX markets were relatively quiet again yesterday, with the exception of the Japanese Yen which put in a new 24-year low against the dollar around 136.70. GBP is seeing some weakness this morning after the region's inflation result, trading 0.45% lower vs Euro and 0.65% against USD.

Safe-havens: Gold is slightly weaker on the week so far, moving down to \$1,826. Silver and copper are down 2.3% and 3.3% to \$21.27 and \$3.90 respectively.

Oil prices slumped this morning as traders showed further worries about an economic slowdown in developed regions. Brent Crude has fallen by 4.3% so far and trades at \$109.70 per barrel. Similarly, the American WTI Crude is down 4.7% to \$104.40 and is at its lowest levels since mid-May.

Yields are slightly lower this morning on the general risk-off sentiment, after what has been a choppy and volatile couple of weeks for the asset class.

Looking ahead: Canada will release its own CPI inflation for the month of May (expected at 7.4% vs the previous 6.8%) after the UK did the same this morning. Markets will be paying close attention to what Fed Chair Jerome Powell has to say when he speaks at 2:30pm Irish time today. The Chairman will speak publicly again tomorrow afternoon.

Thursday will include an important set of Services and Manufacturing PMI results out of the Eurozone, UK, and US. These figures will reflect up-to-date data from the current month and will give us an idea on the pace of the recent growth slowdown.

Key Events to Watch

22 & 23/06/2022 - Fed Chair Powell speaks

23/06/2022 - European & US PMIs

24/06/2022 - US Consumer Sentiment

30/06/2022 - US Core PCE

Financial News Round Up

UK Inflation

The United Kingdom's May Consumer Price Index (CPI) inflation results came due this morning before market open, with results broadly in line with market expectations for the region last month. Surging food prices pushed inflation in the UK to a fresh 40-year high once again, this time at 9.1% versus May of 2021.

This is of course the highest rate of inflation among G7 nations and is highlighting the severity of Boris Johnson's cost-of-living crisis. The result was up from April's 9.0% and March's 7.0%. Meanwhile, the region's Core CPI figure, which strips out volatile items such as food and energy, came in at 5.9% vs analysts' estimates for 6.0% and April's 6.2%.

The Bank of England said at their meeting last week that inflation in the UK was likely to remain above 9% over the coming months before peaking at just above 11% in October, when regulated household energy bills are due to increase again.

The Office for National Statistics pointed out that prices for food and non-alcoholic goods rose by 8.7% y/y in May. This was the category's largest increase since March 2009 and made it the biggest driver of annual inflation for the UK last month.

Russian Gas

The IEA (International Energy Agency) has warned that Europe must prepare immediately for a complete disconnection of Russian gas exports this winter, urging governments around the continent to take measures to cut demand and keep ageing nuclear power stations open.

Head of the IEA, Fatih Birol, stated that Russia's decision to cut down gas supplies to European nations over the past week may be a precursor to further cuts as Moscow looks to gain leverage during its war with Ukraine. "The nearer we are coming to winter, the more we understand Russia's intentions. I believe the cuts are geared towards avoiding Europe filling storage, and increasing Russia's leverage in the winter months".

"I believe there will be more and deeper demand measures (taken by governments in Europe) as winter approaches" Birol added, saying that rationing of gas supplies remained a real possibility should Russia cut exports further.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,764	2.45%	-21.01%
DAX	13,292	0.20%	-16.32%
EuroStoxx	3,494	0.70%	-18.71%
ISEQ	6,433	-0.50%	-23.81%
FTSE	7,152	0.42%	-3.15%
Nikkei 225	26,160	-0.33%	-8.99%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0525	0.15%	-7.76%
EUR/GBP	0.8572	-0.05%	2.12%
GBP/USD	1.2272	0.18%	-9.63%
USD/CHF	0.9661	-0.12%	6.19%
USD/JPY	136.61	1.13%	18.44%
EUR/JPY	143.78	1.28%	9.30%

Fixed Income	Value	Daily Change
US 10yr	3.279	0.002
US 2yr	3.194	-0.052
German 10yr	1.759	0.016
Irish 10yr	2.418	-0.014
UK 10yr	2.654	0.052
Japanese 10yr	0.231	0.000