

Daily Update

Your daily market news, moves
and outlook



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Markets Outlook

Tuesday, 23rd of August

Equities: Stock markets have switched over into risk-off mode ahead of the Jackson Hole Symposium which is due to take place in Wyoming, USA later this week. This resulted in the EuroStoxx 50 and 600 equity indices losing between 1.0% and 1.9% on Monday, and seeing mixed but quiet trade early this morning.

Traders had their eyes on the region's PMI results earlier today, but are also conscious of issues such as persistently high inflation, soaring gas prices, and slowing growth.

In the US last night the main indices closed between 1.9% and 2.6% lower, as markets began to anticipate what could be a relatively hawkish Powell later in the week and also the strong possibility for another 75bp rate hike in September.

Fixed income: Bond yields for the most-part edged higher on Monday, and are seeing fairly muted trade today. This move higher in yields has been steadily playing out over recent weeks, with the 2-year yield in the States now near an important resistance area around 3.33%. Parts of the US yield curve have remained inverted or near inversion throughout August.

Currencies: EUR/USD on Tuesday has hit a fresh 20-year low, the FX pair is down a quarter of a percent to 0.9915 at the time of writing. This comes on the back of fears around energy prices in Europe and ahead of what is shaping up to be a relatively aggressive Powell this week. The benchmark TTF gas price in Europe jumped to a new record high yesterday.

Looking ahead: Following the August PMI results we saw from across Europe this morning, the US will release the same at 2:45pm today. The US Manufacturing PMI is expected to come in at 51.8 vs the previous 52.2, while Services are estimated at 49.8 vs the prior 47.3.

Market participants are focusing more and more on Jerome Powell's Friday speech, the Fed Chairman is due to give an update on where the central bank sees the US economy and possibly some guidance in terms of its monetary policy. Interestingly, Powell's speech comes just 90 minutes after the release of the US Core PCE inflation figure (the Fed's preferred inflation metric). This inflation reading is expected to slow slightly again to 4.7%, from the prior 4.8%, and having peaked at 5.3% five months ago.

Key Events to Watch

23/08/2022 - US PMIs

25/08/2022 - US GDP

25/08/2022 - Jackson Hole Symposium begins

26/08/2022 - US Core PCE

Financial News Round Up

PMIs This Morning

This morning we have seen the release of Manufacturing and Services PMI's (Purchasing Managers' Index) from individual European nations, as can be seen below. This data point gives us information from the current month and is therefore seen as a leading indicator and a strong insight into companies' views of their respective economies. Readings below 50.0 indicate contraction while above is expansion.

- Eurozone Manufacturing: 49.7 vs 48.9 forecasts.
- Eurozone Services: 50.2 vs 50.5 forecasts.
- French Manufacturing: 49.0 vs 49.0
- French Services: 51.0 vs 52.9
- German Manufacturing: 49.8 vs 48.0
- German Services: 48.2 vs 49.0
- UK Manufacturing: 46.0 vs 51.0
- UK Services: 52.5 vs 51.5

In terms of the manufacturing sector, both the Eurozone and UK suffered contractions during August. This was for the first time since May 2020 in the case of the United Kingdom and just the second time since June 2020 for the Euro area. Purchasing managers cited the cost of living crisis in the surveys, alluding to the fact that consumers have been forced to cut spending while supply constraints have simultaneously hurt manufacturers.

Apple

According to Bloomberg this morning, the world's largest company Apple plans to start building its new iPhone 14 in India as the US tech giant seeks alternatives to China. This move of course comes after Chinese president Xi Jinping's administration has clashed with Washington over Taiwan, as well as rolling Covid lockdowns across China repeatedly disrupting production.

Apple has reportedly been engaged with suppliers over recent weeks in an effort to ramp up production in India and to decrease the lag in manufacturing new iPhones from the typical six-nine months seen in previous launches.

The report also added that the production of the first iPhone 14s from the new manufacturing plants in India will likely be around late October or November. Countries such as India, Mexico, and Vietnam are becoming increasingly important to contract manufacturers supplying US brands as they move away from China.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,137	-2.14%	-13.18%
DAX	13,230	-2.32%	-16.65%
EuroStoxx	3,658	-1.93%	-14.90%
ISEQ	7,050	-1.63%	-16.51%
FTSE	7,533	-0.22%	1.57%
Nikkei 225	28,452	-1.19%	-1.18%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9941	-0.95%	-12.78%
EUR/GBP	0.8447	-0.53%	0.48%
GBP/USD	1.1765	-0.46%	-13.19%
USD/CHF	0.9644	0.58%	5.83%
USD/JPY	137.47	0.32%	19.20%
EUR/JPY	136.66	-0.63%	3.97%

Fixed Income	Value	Daily Change
US 10yr	3.024	0.037
US 2yr	3.316	0.055
German 10yr	1.301	0.067
Irish 10yr	1.921	0.081
UK 10yr	2.514	0.087
Japanese 10yr	0.212	-0.009