

Daily Update

Your daily market news, moves
and outlook



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Markets Outlook

Equities: European markets are between 1% and 1.5% weaker at the time of writing on Monday morning, after what was a mostly negative trading session across the Asian continent overnight. Equity indices on Wall Street of course also finished lower on Friday evening, reacting to Jerome Powell's highly anticipated Jackson Hole speech, the benchmark S&P 500 shedding almost 3.4% of its value.

Equity traders this week will turn their attention to the Eurozone CPI results due over the next few days, and also the jobs data due to come from the States towards the end of the week.

The VIX volatility index is trading at \$27.30 this morning.

Fixed income: Eurozone bond yields have had a noticeable move higher between Friday and today. German 10yr yield has risen to a 2-month high of 1.51% while the French equivalent is similarly up to 2.1%.

Over the weekend we saw ECB officials come out and state that central banks must act forcefully to combat inflation even if that dragged economies into recession, and signaling another big rate step at their September 8th meeting.

Monday, 29th of August

Currencies: The Dollar index is slightly higher again on Monday morning, pushing to another fresh 20-year high around 109.40. This is unsurprising, given the hawkish remarks from the Fed Chairman on Friday afternoon and the general momentum that the world's reserve currency has had lately.

The Euro's brief move back above \$1.000 at the end of last week was short-lived, with the common currency exchanging hands at \$0.995 today. The Euro had been briefly lifted on reports that the ECB may look at raising rates next month by 75bp. This is despite concerns around the region's ability to weather a looming energy crisis, made worse by unscheduled maintenance procedures of key gas supply lines by Russia.

Commodities: Oil prices are higher on Monday, having bounced somewhat last week - Brent Crude is currently hovering just below \$100. This comes as expectations build that OPEC will cut output if needed to support prices, as well as conflict in Libya and rising demand amid elevated natural gas prices in Europe.

It must be noted that European natural gas prices have pulled back today as Germany said its gas stores are filling up faster than planned.

Key Events to Watch

30/08/2022 - German CPI

30/08/2022 - US Consumer Confidence

31/08/2022 - Eurozone CPI

02/09/2022 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,057	-3.37%	-14.87%
DAX	12,971	-2.26%	-19.27%
EuroStoxx	3,603	-1.93%	-17.18%
ISEQ	6,989	-2.05%	-17.23%
FTSE	7,427	-0.70%	0.58%
Nikkei 225	27,878	-2.66%	-3.17%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9961	-0.13%	-12.53%
EUR/GBP	0.8477	0.59%	1.40%
GBP/USD	1.1747	-0.69%	-13.71%
USD/CHF	0.9663	0.27%	6.26%
USD/JPY	137.52	0.75%	20.61%
EUR/JPY	138.05	0.56%	5.51%

Fixed Income	Value	Daily Change
US 10yr	3.030	-0.001
US 2yr	3.382	0.008
German 10yr	1.398	0.069
Irish 10yr	2.045	0.083
UK 10yr	2.603	-0.014
Japanese 10yr	0.236	0.009

Financial News Round Up

The Week Ahead

We are set for a quiet start to the week today, with no major data releases out until Tuesday. UK markets will remain closed today in observance of the country's Summer Bank Holiday. Tomorrow morning we will see individual Eurozone nations begin to release their respective CPI inflation results for the month of August. Germany and Spain will be the largest releases on Tuesday in this regard. We will also see a US Consumer Confidence release tomorrow afternoon.

Wednesday morning will see the release of the remaining European CPI figures, which will be followed by the full Eurozone number at 10am - currently forecast at 9.0% y/y. Thursday will also be relatively busy, with Swiss CPI, US weekly Unemployment Claims, and US Manufacturing data all due.

The most important figure of the week from a US point of view will be Friday's Non-Farm Payrolls (NFP) number and the nation's monthly Unemployment Rate. The NFP is forecast to come in at +295k jobs for August versus July's +528k, while the Unemployment Rate is expected at 3.5% and in line with the prior result. These jobs figures are likely to serve a key role in dictating the Fed's rate decision at its September 21st meeting.

Powell Last Week

Stock markets sold off in the US on Friday evening after the Fed Chair Jerome Powell's speech at the Jackson Hole Symposium, the S&P 500 losing over 3.3% on the session and the Nasdaq100 trading down by almost 4%. Powell stated that the US central bank must continue to increase interest rates in order to stop inflation from becoming a permanent aspect of the American economy. Powell pointed out that the Fed plans to impose further rate hikes over the coming months and could keep them high "for some time".

"While higher interest rates, slower growth and softer labour market conditions will bring down inflation, they will also bring some pain to households and businesses. These are unfortunate costs of reducing inflation but a failure to restore price stability would mean far greater pain."

The chairman also said that the lower July inflation print in the States was welcome, but was not enough to change the Fed's view. Rather than reacting to one data point, the Fed will need to see a trend direction of slowing inflation in order to make a dovish pivot.