

# Daily Update

Your daily market news, moves  
and outlook



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## Markets Outlook

**Equities:** Markets are around half a percent weaker on the continent on Wednesday morning, as traders position themselves ahead of the highly anticipated ECB meeting tomorrow.

Market momentum remains to the downside, at least for now, as the Fed's raise-and-hold messaging, expectations for a more hawkish ECB, tightening financial conditions, stagflationary headwinds from Europe's energy crisis, and China's covid lockdowns all weigh on the growth outlook.

Elsewhere, London's FTSE100 index is 0.7% lower today despite new PM Liz Truss promising a major package of support this week to address UK energy bills.

VIX is trading at roughly \$26.65 at the time of writing.

**Currencies:** The US Dollar has reached a fresh 24-year high against the Yen today at 144, and new 20-year lows of 0.986 vs the Euro yesterday as markets price for an aggressive Fed. The Euro is expected to remain fairly muted for the rest of today and tomorrow morning.

Bitcoin has fallen back below \$19k again and remains near its lowest levels for the year on similar Fed expectations.

## Wednesday, 7th of September

**Fixed income:** Yields across the board jumped on Tuesday, continuing their broad move higher seen since the start of August. The benchmark US 10yr moved almost 13bp higher yesterday alone, now trading up to 3.3% for the first time since mid-June. Similarly, the German 10yr has reached 1.6% and UK 10yr 3.1%.

This move in US Treasuries came yesterday after the country's Services PMI reading for August came in stronger than expected (at an expansionary 56.9 vs 55.4 estimates and the prior 56.7). This naturally fuelled investors' expectations of further large rate hikes to come from the Fed.

**Looking ahead:** Major central banks continue to dominate this week's macro calendars. The Bank of Canada is forecast to increase rates by 0.75% to 3.25% when it releases at 3pm today. We are also due to hear from Fed officials Mester and Brainard throughout the afternoon, who may drop some hints.

The highlight for Europe this week comes from the European Central Bank at 1:15pm tomorrow, fully covered below. This release will be followed by ECB President Lagarde's press conference at 1:45pm. Separately, Fed Chair Jerome Powell will be speaking virtually at an event just after 2pm tomorrow.

## Key Events to Watch

07/09/2022 - BOC Rate Decision

08/09/2022 - ECB Rate Decision

08/09/2022 - Fed Chair Powell speaks

13/09/2022 - US CPI

## Financial News Round Up

### ECB Tomorrow

After raising interest rates in the region for the first time in a decade in July, the ECB is fully expected to continue on this course when its policymakers meet today and tomorrow. This move over the summer brought both the central bank's 'Deposit facility' rate and its 'Main refinancing' rate up 50bp each to 0.00% and 0.50% respectively.

Looking at money markets this morning they are implying just over a 60% (down from 80% last week) chance that the European Central Bank could be forced into an aggressive 75 basis point interest rate hike on Thursday. These expectations have been present since the Eurozone recently saw its August CPI inflation print come in at a record 9.1% y/y. In addition, the Core CPI reading (which excludes energy and food) also came in at a new all-time high, at 4.1%. The bank last raised rates by three quarters of a percent back in 1999.

It is worth pointing out that since the July meeting, we have seen some ECB Governing Council members come out and advocate for a larger (75bp) move this time around - highlighting the need to act quickly to tame steep inflation. Yet, fears of a deep European recession could limit the need for overly aggressive tightening.

We will also be closely watching the ECB's newest staff projections tomorrow. Back at its latest set of projections in June, the bank forecasted for inflation to only come down to 2.1% by 2024. Looking ahead, we expect the ECB to be forced into another hike at its October meeting, then potentially halting policy there if the region is hit with a winter recession.

### Irish Energy Costs

A considerable intervention on energy costs is needed from the Government at its upcoming budget, according to representative group Retail Excellence. Soaring energy costs will dominate the agenda at the group's meeting today, as it hosts roughly 400 retailers in Co.Kildare and will feature an address from Minister of State Damien English.

This comes as the Cabinet is due to discuss plans today on how to tackle such issues and ease the burden on businesses and households. It is understood the plan could explore the idea of reducing temperatures in offices and buildings this winter, while workers may be asked to operate on fewer floors where possible. These proposed measures would mirror those made in Germany and France recently.

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,908	-0.41%	-18.00%
DAX	12,871	0.87%	-19.59%
EuroStoxx	3,500	0.29%	-19.30%
ISEQ	6,857	1.05%	-18.80%
FTSE	7,300	0.18%	-2.21%
Nikkei 225	27,430	-0.71%	-4.73%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9902	-0.24%	-12.88%
EUR/GBP	0.8597	-0.26%	2.52%
GBP/USD	1.1516	0.03%	-15.03%
USD/CHF	0.9843	0.48%	7.91%
USD/JPY	142.79	1.56%	25.12%
EUR/JPY	141.40	1.32%	9.02%

Fixed Income	Value	Daily Change
US 10yr	3.351	0.128
US 2yr	3.507	0.073
German 10yr	1.614	0.048
Irish 10yr	2.231	0.026
UK 10yr	3.068	0.126
Japanese 10yr	0.242	0.000