

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Equities: European indices have opened in negative territory today, mirroring Asian equities' which were mostly lower on Wednesday night/Thursday morning. The benchmark EuroStoxx50 and 600 indices are currently between 0.3% and 0.5% weaker.

US markets fell for a sixth straight session yesterday, dragged down over the past week by tech, utilities, and real estate, and closing at or near their lowest prices since 2020. A relatively hawkish set of Fed meeting minutes and higher-than-expected US PPI helped push risk assets in the region lower. US futures this morning are seeing very quiet trade ahead of this afternoon's data release.

VIX is higher on the week, at \$33.60 today.

Fixed income: UK bond markets have displayed their confusion over the past week, as the Bank of England chopped and changed its plan. Headlines this morning state that the region's 30yr sovereign bond yield reached 5.1% yesterday (highest since 1998), before pulling back sharply to 4.77%.

Corporate bond yields have followed sovereigns higher over the past month - Moody's Seasoned Aaa corporate bond yield recently reached its highest point (4.6%) since 2013.

Thursday, 13th of October

Commodities: Concerns around weakening demand have kept a lid on oil prices so far this week, with Brent getting back down below \$92 yesterday and WTI Crude to \$87. This is mostly due to a slight resurgence in Chinese Covid infections. Oil traders will undoubtedly react to the US inflation readings due out today.

Economic data: It is all about inflation today for financial markets - the main cause of market movement will most likely come from the US CPI release today at 1:30pm Irish time. This figure could help the Federal Reserve, who released their meeting minutes last night, to decide the size of its next rate increase. The US central bank has continued to reiterate that bringing inflation down is its number one goal at present.

The headline CPI (Consumer Price Index) figure is expected to come in at 0.2% m/m for September. This would mark a welcome slowdown in monthly readings - the average m/m result between January 2021 and June 2022 was almost 0.7%. The y/y figure for September is expected at 8.1% vs August's 8.3% and July's 8.5%. Stripping out energy and food price changes; the Core CPI readings are forecast at a still-elevated 0.4% m/m and 6.5% y/y (up from August's 6.3% and July's 5.9%). These core figures demonstrate how inflation is becoming more broad-based in the US and less about oil prices.

Key Events to Watch

12/10/2022 - US PPI

12/10/2022 - ECB's Lagarde speaks

12/10/2022 - Fed Meeting Minutes

13/10/2022 - US CPI

Financial News Round Up

Fed Minutes

Policymakers at the Federal Reserve signalled that they are more concerned about doing too little in their fight against inflation than doing too much, in the minutes from the central bank's September meeting that were published last night. According to the account, Fed officials remain committed to "purposefully" tightening monetary policy in the face of "broad-based and unacceptably high inflation... Many participants emphasised that the cost of taking too little action to bring down inflation likely outweighed the cost of taking too much action".

This release comes at a very interesting time - just one day before the September US CPI print. Intense and persistent inflation has been both the Fed and the Biden administration's main focus for some time now, and has ignited general market concerns that a relatively sharp US recession and higher unemployment may be required in order to tackle price pressures.

The minutes were taken as relatively hawkish by investors, with the main equity indices in the States selling off and Treasury yields edging higher.

EasyJet

British budget airline EasyJet has released a sales update early this morning - stating that bookings for the winter were progressing well, as travel demand holds up for this winter and into next year despite the squeeze on consumer spending due to economic headwinds. Ticket sales for the October school holiday and the Christmas week periods exceeded pre-pandemic levels, according to the release. EasyJet now expects to fly 20 million seats in the fourth quarter, up 30% y/y.

The firm forecasts a headline annual loss before tax of £170-£190m for the 12 months to the end of September, in line with consensus forecasts.

Entain

Ladbrokes owner Entain has today forecast for the FIFA World Cup in November and December to boost its Q4 online gaming revenues. The company said total gaming revenue increased by 2% in the three months to the end of September, but was flat on a constant-currency basis.

Gambling firms, which are seeing more customers returning to retail shops and are subsequently witnessing a fall-off in online gaming from their Covid peaks, are now facing challenges from an inflationary point of view - as consumers look to cut out non-essential spending.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,577	-0.33%	-24.95%
DAX	12,172	-0.39%	-23.37%
EuroStoxx	3,331	-0.26%	-22.49%
ISEQ	6,332	-1.23%	-25.01%
FTSE	6,826	-0.86%	-7.56%
Nikkei 225	26,237	-0.60%	-8.87%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9705	0.02%	-14.67%
EUR/GBP	0.8742	-1.15%	4.33%
GBP/USD	1.1101	1.26%	-18.19%
USD/CHF	0.9977	0.09%	9.42%
USD/JPY	146.76	0.62%	27.61%
EUR/JPY	142.43	0.64%	8.89%

Fixed Income	Value	Daily Change
US 10yr	3.904	-0.041
US 2yr	4.297	-0.017
German 10yr	2.313	0.005
Irish 10yr	2.857	0.018
UK 10yr	4.413	-0.042
Japanese 10yr	0.246	0.000