

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Tuesday, 1st of November

Equities: The main stock markets on the continent are over 1% stronger on Tuesday morning, following on from yesterday's small gains. US indices were downbeat on Monday, but still closed the month firmly higher as a busy week marked by Fed policy, earnings, and important jobs data got underway. In fact, the Dow Jones index ended October with a gain of almost 14% - its best monthly advance since January of 1976. Without a doubt, the Fed release on Wednesday will play a big role in the direction of equity markets around the globe for the remainder of the year.

Earnings so far have continued to "defy recessionary calls" according to Bank of America, with many corporate metrics still above expectations. It is important to note, however, that mega-caps have suffered. Q3 results marked the worst earnings season on record for mega-cap giants after one of their best seasons the previous quarter. Mega caps are generally above \$200 billion in terms of their market capitalization. This has been evidenced by the likes of Meta - with their shares falling to the lowest closing point since 2015.

Fixed income: US Treasuries should see quieter trade ahead of the Fed's release tomorrow. The market discount for the terminal fed funds rate is vital for the trajectory of the 10yr US bond yield. Over the past week or so, that market discount has moved down from 5% to 4.8%, helping the 10yr yield fall to its current 3.99% (down from the 15-year-high of 4.33% seen last month).

European yields have similarly pulled back lately, the German 10yr now at 2.08% and French 10yr at 2.62%.

Looking ahead: This afternoon we will see the release of the monthly US JOLTS Job Openings figure. This will be followed by more jobs data out of the States tomorrow in the form of 'ADP Employment Change' and on Friday with the 'Non-Farm Payrolls' and Unemployment Rate. The likely highlight of the week will come tomorrow evening at 6pm when the Fed issue their latest monetary policy statement and rate decision. This will be followed by the same from the Bank of England on Thursday.

In terms of corporate earnings, the Q3 reporting season will begin to wind down after this week, certainly in the US. Later today we are due to hear from Pfizer, Eli Lilly, Airbnb, Uber, and Reuters, and then on Wednesday from GSK, Next, Smurfit Kappa, Novo Nordisk, Qualcomm, and CVS Health Corp.

Key Events to Watch

- 01/11/2022 - US 'JOLTS' Job Openings
- 02/11/2022 - Federal Reserve Rate Decision
- 03/11/2022 - BOE Rate Decision
- 04/11/2022 - US Non-Farm Payrolls

Financial News Round Up

Fed Preview

According to the Fed Funds futures market at the time of writing, investors have priced in an 86% chance that the US central bank will increase rates in the region by another 75bp tomorrow evening. The remaining 14% are expecting a 50bp move. Most investors are then expecting the bank to hike again in December and early February, likely pausing at a range of between 4.75% - 5.00%.

Many market participants are expecting the Fed Chair Jerome Powell to open the door to smaller rate hikes ahead during his press conference, 30 minutes after tomorrow's release. Powell will likely acknowledge once again that inflation is too high, but may point to the fact that monetary policy works with long and varied lags. The central bank's current stance is that it remains "highly attentive" to inflation risks, which are "weighted to the upside". We expect him to reiterate the Fed's focus on inflation, despite a sustained slowdown in the US economy now expected by most. It is worth pointing out that some Fed officials felt at the September meeting that the central bank could slow the pace of rate hikes at some point as they assess the impact of previous hikes on inflation, according to the meeting minutes.

BP

British multinational oil and gas firm BP plc (ninth largest in the world with a market cap of \$103.5b) has this morning released its third-quarter results, revealing that its profits more than doubled during the three months. The London-listed company reported that underlying replacement cost profits, a measure preferred by BP, surged to \$8.2b versus the \$3.3b seen one year prior. This was significantly ahead of the \$6.1b expected by analysts.

Nevertheless, the firm said profits were weaker than in Q2 due to the pullback in energy prices over this time period. In June, a barrel of Brent Crude oil costed roughly \$114, having since fallen to below \$94.

The shares are currently half a percent weaker to £4.776 in London, underperforming the broader market on the session so far. BP has however registered gains of 44.5% YTD.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,871	-0.75%	-18.76%
DAX	13,253	0.08%	-15.80%
EuroStoxx	3,617	0.13%	-14.78%
ISEQ	6,978	0.75%	-16.64%
FTSE	7,094	0.66%	-2.47%
Nikkei 225	27,678	0.33%	-3.86%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9883	-0.72%	-12.66%
EUR/GBP	0.8615	0.35%	2.49%
GBP/USD	1.1469	-1.09%	-14.78%
USD/CHF	1.0011	0.46%	8.95%
USD/JPY	148.71	0.61%	28.35%
EUR/JPY	146.97	-0.12%	12.10%

Fixed Income	Value	Daily Change
US 10yr	4.050	0.032
US 2yr	4.486	0.043
German 10yr	2.150	0.064
Irish 10yr	2.611	0.057
UK 10yr	3.523	0.029
Japanese 10yr	0.245	0.004