

# Daily Update

Your daily market news, moves  
and outlook



## Markets Outlook

**Equities:** Stocks rallied yesterday, initially in Europe on the back of the lower Euro Area CPI print, and then later that evening after Jerome Powell's speech all but confirmed a slowing of the pace of US rate increases to 50bp starting in December. In this context, today's US Core PCE number and tomorrow's jobs data will both be important for the near-term direction of American equities.

The EuroStoxx50 is currently 0.35% stronger, and earlier this morning traded through fresh eight-month highs around €4,000. The index has now bounced by a robust 22.5% from its 2022-lows, while the S&P 500 is up by just under 17% over the same time period.

VIX is at a fairly subdued \$20.95 on Thursday morning.

**Currencies:** EUR/USD is again approaching its 4-month peak of around 1.05 today, having gained ground yesterday along with risk assets. Bets are increasing for interest rate differentials between ECB and Fed to fall, as the American central bank looks to slow down its pace of hiking but the ECB may be forced to continue tightening for longer. ECB's Lagarde recently told the European Parliament that Eurozone inflation has not peaked and risks are rising higher than expected.

## Thursday, 1st of December

**Safe-havens:** Bond markets mostly rallied on Wednesday while yield curves steepened slightly, driven by US Treasuries after Powell's rate hike comments. The yield on the country's 10yr bond, often seen as a proxy for global borrowing costs, moved down to 3.6% for the first time since early-October. Credit spreads have narrowed in November as general risk sentiment has picked up, indicating 1.4% for investment grade in the US and 4.6% for riskier high-yield.

**Economic data:** Inflation in the Eurozone eased off slightly during November - yesterday we got a weaker than expected CPI print of 10.0% vs 10.4% expectations, amazingly this was the Eurozone's first decline since June 2021. This easing of inflationary pressures was helped by pullbacks in energy prices. The region's Core CPI result was in-line with the prior month and with analysts' expectations at 5.0%, indicating to us that inflation is becoming more broad-based across our economy and less to do with just energy.

Inflation remains the main theme on Thursday - the Fed's preferred US inflation metric, the 'Core PCE index', comes due at 1:30pm Irish time. This October figure is expected to have eased marginally from the prior 5.1% down to 5.0% y/y. It is also forecast at 0.3% m/m versus September's 0.5%.

This afternoon we will also see the release of the US ISM Manufacturing PMI, expected in contractionary territory for the first time since the summer of 2020.

## Key Events to Watch

30/11/2022 - Eurozone CPI

30/11/2022 - US GDP

01/12/2022 - US Core PCE

02/12/2022 - US Non-Farm Payrolls

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,080	3.09%	-14.39%
DAX	14,397	0.29%	-9.37%
EuroStoxx	3,964	0.77%	-7.76%
ISEQ	7,268	0.09%	-13.93%
FTSE	7,573	0.81%	2.55%
Nikkei 225	28,226	0.92%	-1.96%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0423	0.96%	-8.11%
EUR/GBP	0.8632	-0.11%	2.86%
GBP/USD	1.2075	1.07%	-10.62%
USD/CHF	0.9439	-1.12%	3.32%
USD/JPY	137.36	-1.01%	18.28%
EUR/JPY	143.17	-0.06%	8.70%

Fixed Income	Value	Daily Change
US 10yr	3.611	-0.139
US 2yr	4.328	-0.153
German 10yr	1.885	-0.046
Irish 10yr	2.333	-0.042
UK 10yr	3.163	0.062
Japanese 10yr	0.251	0.004

## Financial News Round Up

### Jerome Powell

Last night the Fed Chair J. Powell spoke at an event in Washington DC on the economic outlook for the United States, inflation, and its labour market. Stock markets in the region rallied after it became clear that Powell was sending a fairly strong message that the central bank would be slowing the pace of its interest rate hikes next month.

According to pricing on the Fed Funds futures market, roughly 18% of traders are still betting on the outcome that the Fed will be forced to raise rates by another 75bp when they meet next month, with the remainder of investors looking for a 50bp move.

However, it also must be noted that the Chairman is still pledging that the Fed will not abandon its fight against inflation, until price pressures have slowed to a level more in line with its clearly-communicated 2% target. "I will simply say that we have more ground to cover" said Powell, "History cautions strongly against prematurely loosening policy. We will stay the course until the job is done."

Powell cited a number of factors yesterday that could help bring down inflation in the US, namely a further decline in goods prices as well as those related to the housing sector. However, he did also allude to the fact that while the Fed expects inflation to fall, they have often been wrong with their past projections.

### Irish Manufacturing

According to the latest AIB Manufacturing PMI yesterday, Ireland's manufacturing sector fell for the seventh month out of eight and also into contractionary territory in November. The reading came out at 48.7, down from the previous 51.4 and compares with the full Eurozone figure of 47.3 and the UK's 46.2. There were some positive aspects to the result, with input price inflation pulling back to a 21-month low.

"The fall in the index is no surprise as new orders have been in decline since June, and this has eventually resulted in a downturn in activity in the sector" stated AIB's chief economist Oliver Mangan, "New business declined for the sixth consecutive month, the longest sequence of contraction in over 13 years". The weakness in demand reflects a growing sense of pessimism around a potential recession in Ireland next year.