Daily Update

Your daily market news, moves and outlook

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Markets Outlook

Wednesday, 14th of December

Equities: European indices have opened slightly lower after a stronger trading session from Asia overnight fueled by Tuesday's firm US market close on the back of the lower US CPI print. US stocks initially soared after yesterday's release, as traders bet that the Fed might not have to tighten as aggressively going forward. Those gains did abate though as the day went on, with the benchmark S&P 500 finishing up by just 0.7%.
Expectations are still very much focused on a 50bp move from the Fed tonight, we expect equities to remain fairly quiet until after the release. Futures in the States are flat at the time of writing and the region's VIX volatility gauge sits at $22.70.

Currencies: The US dollar unsurprisingly sold off on Tuesday as traders reacted to the weaker inflation print and positioned themselves ahead of the highly-anticipated Fed release. EUR/USD and GBP/USD traded fresh 6-month highs at 1.067 and 1.244 before pulling back marginally.
Elsewhere, EUR/GBP has been in a tight range now for a few weeks - around 0.855 to 0.865. Tomorrow's ECB and BOE releases should help break this range, with higher volumes expected before FX markets likely settle down next week and over the Christmas holidays.

Bonds: US Treasury yields re-rated lower last night, and we also saw many other developed-market regions follow suit. The policy-sensitive US 2yr yield touched 4.14% - a two month low, while the 10yr retreated below the 3.50% mark. This was for the same reason as the moves seen in equities and currencies, traders were pricing in a slightly less hawkish Fed amid rapidly falling inflation.

Looking ahead: The Federal Reserve release at 7pm today will be the main focus for all market participants, on both the short and long term. A 50bp interest rate hike is all but confirmed after yesterday's weaker US inflation data, so investors will pay more attention to Powell's language during his press conference and any changes to the Fed's monetary policy statement.
The Fed's updated set of economic projections, especially their view on where the Fed Funds rate will peak, will also be very important this evening and markets will react accordingly.
Investors will not have too much time to digest the Fed's release before we begin to hear from other central banks tomorow. The Swiss National Bank (8:30am), Bank of England (midday), and European Central Bank (1:30pm) are all expected to hike by 50bp, with some divergences in opinion over the BOE. SNB are expected to hike rates to 1.00%, BOE to 3.50%, and the ECB expected to bring its main refinancing rate to 2.50%.

Key Events to Watch

14/12/2022 - Fed Rate Decision
15/12/2022 - BOE Rate Decision
15/12/2022 - ECB Rate Decision
16/12/2022 - European & US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,019	0.73%	-15.66%
DAX	14,497	1.34%	-8.73%
EuroStoxx	3,986	1.66%	-7.25%
ISEQ	7,265	1.04%	-13.96%
FTSE	7,502	0.76%	1.60%
Nikkei 225	28,165	0.75%	-2.17%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0630	0.90%	-6.57%
EUR/GBP	0.8602	0.22%	2.38%
GBP/USD	1.2354	0.68%	-8.72%
USD/CHF	0.9288	-0.77%	1.87%
USD/JPY	135.57	-1.52%	17.76%
EUR/JPY	144.11	-0.63%	10.02%

Fixed Income	Value	Daily Change
US 10yr	3.501	-0.116
US 2yr	4.214	-0.167
German 10yr	1.908	-0.027
Irish 10yr	2.374	-0.032
UK 10yr	3.297	0.099
Japanese 10yr	0.246	-0.001

Financial News Round Up

Disinflation

Between last night and this morning we have seen the release of United States and United Kingdom 'consumer price index' inflation figures for the month of November. Encouragingly for investors, both of these regions experienced disinflation last month (still inflationary but a slowdown in the rate of price increases), with CPIs coming in below analysts' expectations.
Headline CPI for the US yesterday evening was at a year-over-year reading of 7.1%, below forecasts for 7.3% and down for the fifth consecutive month which has helped risk sentiment in the States. This is the lowest level for the data point since December 2021. Among the biggest contributors were transportation services (14.2% higher y/y), energy (13.1%), and food (10.6%).
However, the Fed likely will have been paying closer attention to the country's Core CPI print, which was at 6.0% y/y for November vs estimates for 6.1% and the previous 6.3%. The Core reading has seen a double peak at around 6.5 - 6.6% in March and September, and still has some way to go before it gets back down to the Fed's 2% target, but is now once again heading in the right direction.
Taking a look at the UK - headline CPI was a still-elevated 10.7% y/y last month, coming in below expectations for 10.9% and October's 40-year high of 11.1%. Core CPI saw a result of 6.3% y/y, down from the prior 6.5% which the region had experienced for two months in a row.
According to the Office for National Statistics, this modest easing in prices is mainly due to the declines seen in petrol prices and prices for used cars. All eyes in the UK will now shift to the Bank of England tomorrow, with many hoping for a more dovish sounding BOE in light of these lower CPI results.

Dalata Hotel Group

The Dublin and London-listed Dalata Hotel Group has this morning issued its latest trading update, noting that annual revenue is now expected to exceed €0.5 billion for the first time in the firm's history. Ireland's largest hotel operator cited the strong recovery in trade, stating that adjusted EBITDA for the year ending December 2022 is expected to be in excess of €182m, up from last year's €162m.
Revenue per available room (RevPAR) was 21% ahead of 2019 levels for the September - November period, with all of the group's regions performing strongly.