

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Wednesday, 12th of April

Equities: Sentiment was broadly positive for risk assets across the continent as markets came back online on Tuesday. The Stoxx50 and Stoxx600 indices gained just over half a percent during the regular trading session, with this optimism carrying through to this morning. Markets are quiet but marginally higher at the time of writing, and we expect them to stay this way until the US inflation data is released early this afternoon.

Speaking of the US, the main three equity indices traded flat to slightly higher yesterday, keeping the VIX volatility index subdued below \$20. Aside from inflation, stock markets will be eagerly awaiting the beginning of the first-quarter earnings season which kicks off this week.

Currencies: The dollar index, which measures the world's reserve currency against a basket of six other major currencies, is flat on the week so far at 101.77, after falling slightly yesterday. USD should dominate moves within FX markets this week, with today's inflation data likely to be the main driver of volatility.

Commodities: Oil prices have paused at this week's highs ahead of this afternoon's US inventory data release. WTI Crude is trading at \$81.60, and is currently up 1.5% YTD. As is the case with other asset classes, oil traders will also factor in today's US inflation reading when they are positioning. Gold futures are higher again on Wednesday, at \$2,024.

Looking ahead: US CPI inflation readings will dominate market headlines in the early afternoon. The results are due out at 1:30pm Irish time - with the headline CPI forecast to decline to 5.1% and the core rate expected to rise to 5.6%.

An increase in core inflation should bolster expectations for one final 25bp rate hike from the Fed next month - the market is currently pricing a circa 70% chance that the US central bank will increase rates once more to a new range of between 5.00 - 5.25%, and is then looking for the Fed to begin cutting in Q3.

On this note, the minutes from the Fed's March meeting will actually be released this evening at 7pm and may give us some further insight into how the bank assessed the risks from the recently collapsed SVB.

Key Events

12/04/2023 - US CPI
12/04/2023 - BOC Rate Decision
12/04/2023 - Fed meeting minutes
13/04/2023 - UK GDP

Financial News

IMF Forecasts

On Tuesday the International Monetary Fund issued an updated set of economic forecasts - and downgraded its 2023 growth projection for the global economy from 2.9% to 2.8%. Similarly, its outlook for next year has been marginally lowered and now sits at 3%.

The IMF offered some conflicting messages - stating that most countries could avoid a recession this year despite economic and geopolitical uncertainties, but also made the point that the chances of a so-called 'hard landing' have increased sharply. According to yesterday's report, stresses in the financial sector could "amplify" and "contagion could take hold" which would cause central banks to "reconsider their policy paths".

Growth in developed economies is now seen at 1.3% in 2023 and is expected to settle at 3% in five years (the lowest medium-term projection issued by the IMF in decades). Ireland is expected to see growth of 5.6% this year followed by 4% in 2024 (in GDP terms), with an average CPI rate of 5% and 3.2% next year. The Eurozone is forecast to register growth of 0.8% this year while the US should see 1.6%, followed by 1.4% and 1.1% in 2024 respectively.

EY

The 'Big 4' accounting firm EY has called off its plan to break up its audit and consulting businesses after months of internal disputes. This would have been the largest restructuring seen in the industry for over 20 years, with plans coming to an end after the company's US executive committee made the decision not to move forward with the proposition.

"Given the strategic importance of the US member firm to Project Everest, we are stopping work on the project" the global leadership team noted. They did however go on to say they are still committed to "creating two world-class organisations that further advance audit quality, independence and client choice."

Biden in Ireland

US president Joe Biden landed in Belfast last night where he was greeted by UK Prime Minister Rishi Sunak. Biden had previously stated that he will use this trip to help "keep the peace" and leverage the benefits of a post-Brexit trade deal as the region marks the 25th anniversary of the Good Friday agreement.

Biden will meet with the British PM again this morning, before crossing the border later today for three days of engagements in Dublin, Louth, and Mayo.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,108	0.00%	7.02%
DAX	15,655	0.37%	12.44%
EuroStoxx 50	4,333	0.55%	14.23%
ISEQ	8,262	1.68%	16.23%
FTSE 100	7,785	0.57%	4.48%
Nikkei 225	28,082	0.57%	7.62%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0910	0.47%	2.03%
EUR/GBP	0.8780	0.14%	-0.63%
GBP/USD	1.2424	0.35%	2.72%
USD/CHF	0.9032	-0.68%	-2.34%
USD/JPY	133.65	0.04%	2.07%
EUR/JPY	145.85	0.53%	4.13%

Fixed Income	Value	Daily Change
US 10yr	3.432	0.017
US 2yr	4.033	0.024
German 10yr	2.298	0.111
Irish 10yr	2.756	0.119
UK 10yr	3.539	0.109
Japanese 10yr	0.463	-0.220