

Daily Update

Your daily market news, moves
and outlook



Markets Outlook

Tuesday, 9th of May

Equities: Regional Eurozone indices are mostly weaker at the time of writing - Germany's DAX is down just 0.05% while Spain's IBEX and France's CAC are each roughly half a percent lower. We saw comments from ECB official Peter Kazimir earlier today, stating that the central bank may need to keep hiking rates for longer than is currently anticipated and September could be the earliest moment when policymakers can judge the effectiveness of past hikes.

Equity markets on Wall Street last night showed quiet trade. Regional bank stocks in the US initially opened higher on Monday afternoon, before paring these gains and moving lower - the KBW regional banking index closed down by 2.8%, and is now almost 30% lower this year.

Other markets: The dollar index is slightly stronger so far this week - most traders will sit on the fence until after tomorrow's US CPI print. GBP may see heightened volatility on Thursday after the BOE.

Both government and corporate bonds were under some slight pressure on Monday, but remain stable. Energy markets are weaker this morning, Brent and WTI Crude down to \$76 and \$72.25.

Commercial real estate: We are beginning to see market participants comment on the commercial real estate (CRE) sectors in the US and Europe. One of the main areas of concern seems to be US office real estate where vacancies are now at their highest levels in 30 years. Low occupancies and higher rates have weighed on these property prices, and we do note that many CRE loans will need to be refinanced at higher rates over the next year. While it is still unclear how well loans in this space are currently performing, and indeed to what extent these issues could damage overall risk sentiment, we do not believe the problems are anywhere near the scale of the 2008 crisis.

Looking ahead: Tuesday's economic calendar is fairly sparse, with the exception of a few Q1 corporate earnings releases. Later today we will hear from Duke Energy, Airbnb, Occidental Petroleum, Fox, and Electronic Arts. On Wednesday all focus will be on the United States' CPI inflation readings, which will have a heavy influence on Fed policy going forward. The headline rate is forecast to remain flat at 5.0% y/y and the core rate is estimated to come in marginally lower at 5.5%. Earnings results tomorrow will include ASOS, Ahold Delhaize, Vestas, and ABN AMRO.

Key Events

10/05/2023 - US CPI

11/05/2023 - Bank of England

11/05/2023 - US PPI

12/05/2023 - UK GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,138	0.05%	7.78%
DAX	15,952	-0.05%	14.57%
EuroStoxx 50	4,348	0.19%	14.63%
ISEQ	8,511	1.37%	19.74%
FTSE 100	7,778	(Closed)	4.38%
Nikkei 225	29,245	1.02%	12.08%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1004	-0.13%	2.76%
EUR/GBP	0.8719	-0.06%	-1.47%
GBP/USD	1.2617	-0.10%	4.32%
USD/CHF	0.8892	-0.24%	-3.81%
USD/JPY	135.08	-0.09%	2.81%
EUR/JPY	148.64	-0.21%	5.65%

Fixed Income	Value	Daily Change
US 10yr	3.507	0.057
US 2yr	4.001	0.065
German 10yr	2.316	0.028
Irish 10yr	2.807	0.054
UK 10yr	3.801	(Closed)
Japanese 10yr	0.428	0.007

Financial News

PayPal

PayPal shares have sold off by circa 5.75% in overnight trade after the release of the company's Q1 results on Monday. Investors showed concerns after the firm downgraded its outlook for annual adjusted operating margin - PayPal now expects expansion of 100 basis points for this financial metric compared to its earlier projection for 125bp of growth. PayPal's payments volume on a currency-neutral basis came to \$354.5 billion over the three-month period, down from the \$357.4b seen one quarter earlier. Management did caution that persistently high inflation was impacting consumers' discretionary spending, and analysts that cover the stock also alluded to this, especially with regard to lower-income customers.

Revenues increased by 10% with constant currencies to \$7.04 billion, with a profit of \$1.17 per share on an adjusted basis for Q1 (up from \$0.88 one year ago). Adjusted operating margin was stronger than expected, at 22.7%.

UK House Prices

Property prices in the United Kingdom fell during April after three prior months of growth, according to the latest figures from mortgage provider Halifax. Prices were 0.3% lower m/m, partially reversing the 0.8% expansion seen in March, but were flat when compared with April of 2022. This comes as double-digit CPI inflation has remained a feature now for seven consecutive months, which has in turn increased borrowing costs.

According to the report, a typical property costs around £286,900, roughly £7,000 below the peak of last summer but £28,000 higher than two years ago.

Ryanair

Ryanair and Boeing are close to signing off on a major new aircraft order, according to sources familiar with the matter this morning. The deal would be for a three-digit quantity of Boeing's 737 MAX model and would cost billions of dollars. The deal could be announced as early as today, with no statement out yet from either party.

Ryanair had previously halted negotiations for over 100 737 MAX jets plus extra options in a pricing dispute at the end of 2021.