



Wednesday, 16th of June

Markets Outlook

Equities: Markets are flat to slightly lower this morning, volatility will likely remain low until we get further clarity from the Fed later this evening. It is worth noting that one of Europe's benchmark indices: EuroStoxx600, has now risen for five straight weeks as investors continue to bet that a steady vaccination programme will jump-start regional economic growth. In the States, the VIX volatility index sits at \$17.27, slightly higher on the session so far.

Currencies: The Dollar is flat to marginally lower on Wednesday morning, EUR/USD and GBP/USD at 1.213 and 1.41. All major currency pairs are expected to remain in very tight ranges ahead of tonight's release. FX moves have been limited of late, indicating that investors have faith in the Fed's commitment to provide clear signalling of any policy shifts well in advance of making them.

Safe-havens: Gold has stabilised on Wednesday morning after its sell-off of the past three trading sessions, during which time the metal lost 1.85%, bouncing somewhat to rest at \$1,860 at present. Bond yields are flat to marginally lower across the board today, the MOVE (bond volatility) index having recently traded through 4-month lows.

Looking ahead: Canada will release its monthly CPI result after lunch this afternoon, but we expect markets to remain fairly subdued ahead of the Federal Reserve's rate statement and latest economic projections at 7pm. Between tomorrow and the early hours of Friday morning we will get two other central bank releases - from the Swiss National Bank and Bank of Japan, with no major changes expected.

Key Events to Watch

- 16/06/2021 - Fed Rate Decision
- 17/06/2021 - SNB Rate Decision
- 18/06/2021 - BOJ Rate Decision
- 18/06/2021 - UK Retail Sales

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,246	-0.20%	13.06%
DAX	15,729	0.36%	14.57%
EuroStoxx	4,143	0.26%	16.75%
ISEQ	8,176	-0.98%	11.30%
FTSE	7,172	0.36%	11.49%
Nikkei 225	29,291	-0.51%	6.73%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2124	0.05%	-0.72%
EUR/GBP	0.8607	0.24%	-3.76%
GBP/USD	1.4080	-0.23%	3.19%
USD/CHF	0.8979	-0.21%	1.53%
USD/JPY	110.07	0.01%	6.52%
EUR/JPY	133.45	0.07%	5.75%

Fixed Income	Value	Daily Change
US 10yr	1.489	-0.008
US 2yr	0.165	0.004
Bund 10yr	-0.232	0.018
Irish 10yr	0.191	0.019
Gilt 10yr	0.762	0.018
JGB 10yr	0.047	0.008

Financial News Round Up

UK Inflation

UK inflation readings this morning before market open in London indicated stronger than expected results for the metric, with consumer price inflation jumping to 2.1% year-on-year, above the Bank of England's 2% average inflation target for the first time since mid-2019. This figure was recording data from May, was above April's 1.5% result and 1.8% forecasts, and was driven in large part by the comparison effect with the price plunge we experienced last year during the first set of lockdowns.

The UK's 'Core CPI' figure, which records the change in the price of goods and services purchased by consumers, except it excludes the volatile food, energy, alcohol, and tobacco items, came in at 2.0% y/y versus 1.5% expectations and the previous 1.3% result.

The Bank of England has made clear its views that inflation will likely hit 2.5% by the end of 2021 as its economy fully reopens and as global energy prices continue to recover. However, BOE Governor Bailey continues to reiterate that the increases to inflation will be temporary and will not require the central bank to scale back its massive stimulus programmes, at least for now. The BOE will next release a monetary policy statement and rate decision on June 24th, where no changes are currently expected.

Japanese Exports

Japanese exports increased by their fastest pace since 1980 last month along with key gauges of capital spending also seeing gains, it has emerged overnight. This strength has helped Japan offset lethargic domestic demand as robust vaccination rollouts in certain other nations boost business activity.

Exports in the world's third biggest economy came in 49.6% higher when compared with May 2020, slightly lower than analysts' expectations for 51.3%. This follows a 38% rise the previous month and marked the sharpest rise since April 1980 when shipments were over 51% higher.

This data release will have been watched closely, and will likely provide some level of comfort to the Bank of Japan, who are due to report in the early hours of Friday morning.

Tullow Oil

The London-headquartered Tullow Oil has released a statement ahead of its AGM later today, stating that it was increasing the volume of oil it protects with hedging to 75% of the firm's output for the next two years, with plans for a further 50% increase for a year after that. Tullow had previously hedged roughly 60% of its output 12 months into the future, with 30% into the second year.

This follows the financial overhaul of the company last month during which time it announced a \$1.8 billion bond sale and a new business plan under CEO Rahul Dhir.

"We have shifted our focus away from exploration and development and long-cycle capital commitments to a production focused company with a robust, cash generative business plan".