



Friday, 29th of October

Markets Outlook

Equities: European stock markets are pulling back on Thursday by between 0.5% and about 0.9%, now trading flat on the week so far. Earnings season has remained in focus for equity investors this week and will into next too. Markets saw a mixed reaction to the ECB on Thursday, and interestingly are now pricing in an ECB rate hike for October 2022, against what the central bank is saying. The VIX has grinded higher this week despite new all-time highs in the States, the volatility index now trading at \$17.60.

Currencies: The Euro rallied yesterday, markets are not fully believing Christine Lagarde and her colleagues that inflation will ease off in the medium term, and are now expecting the ECB to turn hawkish next year. EUR/USD pulling back slightly on Friday to 1.165 after reaching a one-month high yesterday of 1.169. Traders will be watching today's inflation figures out of the US, after this morning's Eurozone equivalent.

Safe-havens: Yield curve flattening has continued to accelerate this week, with shorter-duration bonds selling off on expectations of higher inflation and central bank rate hikes next year. The US 2yr yield for example reached a 19-month high of 0.564%, while longer-dated bond yields lagged this move. Gold has seen a quiet week, trading sideways around \$1,800.

Looking ahead: The highlight of the day will likely come from the US this afternoon: the Core PCE figure expected at 3.7% y/y. It has been a very busy week for earnings, Europe this morning seeing results from the likes of BNP Paribas, Daimler, BBVA, and Eni, later in the US we will hear from AbbVie, Chevron, and ExxonMobil. Next week the earnings season continues: releases are due from Berkshire Hathaway, Novo Nordisk, Pfizer, Toyota, Qualcomm, T-Mobile, Moderna, Amgen, and many others.

Key Events to Watch

- 29/10/2021 - US Core PCE
- 31/10/2021 - European Daylight Saving Time Shift
- 03/10/2021 - Fed Rate Decision
- 04/10/2021 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,596	0.98%	22.37%
DAX	15,696	-0.06%	13.53%
EuroStoxx	4,233	0.31%	18.36%
ISEQ	8,518	0.37%	15.03%
FTSE	7,249	-0.05%	11.39%
Nikkei 225	28,892	0.25%	5.28%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1679	0.65%	-4.45%
EUR/GBP	0.8469	0.36%	-5.29%
GBP/USD	1.3788	0.31%	0.93%
USD/CHF	0.9117	-0.69%	2.88%
USD/JPY	113.56	-0.22%	10.00%
EUR/JPY	132.63	0.42%	5.09%

Fixed Income	Value	Daily Change
US 10yr	1.578	0.028
US 2yr	0.489	-0.013
German 10yr	-0.139	0.048
Irish 10yr	0.265	0.059
UK 10yr	1.008	0.028
Japanese 10yr	0.092	0.006

Financial News Round Up

Eurozone Data

This morning we have seen monthly inflation data (for October) and quarterly GDP data (Q3) out of the Eurozone, with both figures coming in stronger than analysts had expected.

Looking at inflation first, the 19-nation bloc registered its highest reading this month since mid-2008, causing some concern for the ECB who have continuously underestimated inflationary pressures over the past year. The region's CPI result came in at 4.1% vs October 2020, and against forecasts for 3.7% and the previous month's 3.4% figure. Data from Eurostat indicates that the main drivers of this move were higher energy prices, price pressures as a result of supply chain issues, and tax hikes. The 'Core CPI' figure, which excludes volatile items such as food and energy prices, came in at 2.1% y/y vs the 1.9% expectations and September's 1.9%.

On the GDP side, we saw mixed results from the Eurozone's biggest nations throughout the morning, with the region as a whole seeing growth of 2.2% q/q during the July to September period. This compares with analysts' expectations for 2.1% and the previous quarter's 2.0% preliminary result. This is the region's fastest pace of growth in a full year, and comes in at 3.7% when compared with Q3 last year (vs 3.5% forecasts). Breaking down the result: Germany registered a 1.8% result vs projections for 2.2%, France saw a strong 3.0% vs 2.2%, Italy 2.6% vs 2.0%, and Spain missed 2.9% expectations with its 2.0%.

Apple

Apple, the firm with the largest weight in the S&P 500 index at c.6%, reported its fiscal Q4 earnings after the closing bell on Wall Street last night, missing expectations on revenue, as its iPhone, Mac, and Wearables divisions all fell short amid the ongoing chip shortage.

Group revenue was \$83.36b vs the \$84.68b expected, while EPS came in at \$1.24 and in-line with forecasts. According to reporting from Reuters, supply constraints knocked about \$6 billion off the company's top line over the three-month period. While expectations were missed, quarterly revenue was still an impressive 29% stronger y/y.

The shares are expected to open 3.5% lower in New York this afternoon at \$147.20, and about 6.5% off of their all-time high which was set back in early-September.

Bank of Ireland

BOI reported a 17% jump in operating profit (pre-impairment) for the third quarter when compared with the same period in 2019, pre-pandemic. Net interest income rose by 2% in the nine months to September, while net lending (on a constant currency basis) grew by €0.7b. Customer loan volumes remained stable at €76.7b, with customer deposits at €91.3b.

"The continued improvement in our performance in the third quarter is reflected by higher income, lower costs and an increase in capital" the bank said in a statement. BOI said that it was advancing deals with both Davy Stockbrokers and KBC Ireland, with both set to complete next year. "Both transactions support our business growth strategy and are financially transformative, support our target to deliver a ROTE in excess of 10% in the medium term."