

Daily Update

Your daily market news, moves and outlook



SEASPRAY FINANCIAL
Wealth & Investment Management

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Markets Outlook

Equities: Stock markets in Europe took a step backwards on Tuesday, seemingly unhappy with US President Biden's choice to reappoint Jerome Powell as the Fed chairman for another four years. Investors this side of the Atlantic are also closely watching Covid rates as more and more countries on the continent look to temporarily lock down. PMI results for the Eurozone did come in stronger than expected yesterday morning, but offered little support to equities on the session. Markets are slightly higher on Wednesday. In the States, the VIX sits at \$19.00 this morning, having reached 7-week highs yesterday at \$20.91.

Currencies: FX markets were mixed yesterday, as investor sentiment in risk assets turned more cautious, the Euro gained some small ground against other currencies after the Eurozone PMI results surprised to the upside. The main pairs are seeing quiet trade early today, as expected. Volatility, especially in Dollar pairs, could pick up this afternoon as we get an array of important data from the US. The greenback will then likely see little movement tomorrow and Friday as many American traders will be away from their desks for the bank holiday.

Safe-havens: Gold has fallen and Treasury yields moved higher so far this week, as markets react to Powell securing four more years at the helm of the Fed. At present, the Fed funds futures market is pricing in 3 rate hikes in the US by December 2022. US 2yr is currently yielding 0.6%, 10yr at 1.65%.

Looking ahead: Wednesday afternoon will be busy on the economic data front in the United States, the first large release will come in the form of the region's third-quarter GDP result, due at 1:30pm Irish time. At 3pm we will then get the US' Core PCE inflation reading for the month of October, expected to come in at 4.1% y/y (highest result since 1990), this is the Fed's preferred measure of inflation and will be watched closely. Then finally in the evening the latest FOMC meeting minutes will come available to the public, these may give us a better insight to what was discussed at the Fed's meeting earlier this month.

Key Events to Watch

- 24/11/2021 - US GDP
- 24/11/2021 - US Core PCE
- 24/11/2021 - Fed Meeting Minutes
- 25/11/2021 - US Thanksgiving Holiday

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,690	0.17%	24.88%
DAX	15,937	-1.11%	16.17%
EuroStoxx	4,283	-1.26%	20.58%
ISEQ	8,242	-0.13%	11.75%
FTSE	7,266	0.15%	12.48%
Nikkei 225	29,302	-1.58%	6.77%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1246	0.11%	-7.95%
EUR/GBP	0.8404	0.23%	-5.89%
GBP/USD	1.3374	-0.16%	-2.16%
USD/CHF	0.9329	-0.01%	5.49%
USD/JPY	115.12	0.23%	11.33%
EUR/JPY	129.46	0.33%	2.47%

Fixed Income	Value	Daily Change
US 10yr	1.676	0.044
US 2yr	0.614	0.022
German 10yr	-0.221	0.075
Irish 10yr	0.218	0.082
UK 10yr	0.996	0.063
Japanese 10yr	0.081	0.012

Financial News Round Up

Irish Continental Group

Irish shipping and transport company ICG reported its 10-month figures earlier this morning, for the period up to the end of October, during which time the firm said its group revenue increased by a robust 21.9% to €279.7m as travel restrictions were eased. The company did however also point to rising fuel costs over the course of the period, which it claims jumped by 60% y/y due to increased trips and higher global oil prices.

Total revenues came in 24% higher to €144.5m, ICG still noting that Brexit is affecting freight volumes but also positively impacting freight revenue as more customers take the direct route to France. Looking at the 3-month period up to last week, ICG stated that car volumes fell by just 22% when compared with the same time in 2019 before the pandemic. Car volumes encouragingly rose by over 33% y/y to 176,500 in the 10 months to last week.

ICG's Container and Terminal division continued its strong growth, with container shipments increasing by 10.5% in the year to November 20th. Revenue for the division was 20.8% higher to €146.5m.

RBNZ Rate Decision

Overnight we saw the latest rate decision and monetary policy announcement from the Reserve Bank of New Zealand, the only leading central bank to release this week. The RBNZ opted to increase interest rates by 25 bps to 0.75%, having done the same at their October meeting.

It is worth noting that the bank also gave some fairly hawkish forward guidance, stating that rates will likely need to move above their 'neutral level'. This level is where the central bank believes that monetary policy would neither stimulate nor restrict the economy, and currently is about 2% for New Zealand. The RBNZ is estimating that it will need to hike to 2.6% by December of 2023, in an effort to take some heat out of its economy and get inflation back on track. This compares to the bank's forecast for 2.1% by Dec 2023 back in August.

Consumer inflation in NZ is expected to reach 5+% (having been 4.9% y/y in Q3) in the short-term before pulling back to 2% in about two years' time.

Oil Prices

Oil prices have rallied so far this week, with Brent oil 4% higher to \$82.15 and WTI Crude almost 3% higher to \$78.35, as traders question the effectiveness of a US-led release of oil from strategic reserves, turning their attention now to how producers might respond. The US this week stated that it would release 50m barrels from its c.600m-barrel strategic petroleum reserve. The UK, India, South Korea, China, and Japan have all also agreed to release oil stocks in what is a joint effort to dampen energy prices, after OPEC recently ignored calls to produce more.

Markets have likely been pricing in this decision over the past month, causing oil prices to pull back from their multi-year highs back at the end of last month. Any response from OPEC could cause further volatility within the space.