

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Stock markets are bouncing slightly in Europe on Monday morning as the EuroStoxx50 moves about 0.8% higher so far, however the mood still seems to be fairly cautious for now, with little known about Omicron. Recall that the index shed 4.7% of its value in one session on Friday as the market reacted (and possibly overreacted) to government's new travel bans from Southern Africa. Uncertainties of course still remain, and could make for a volatile week in the equity space, after what was a phenomenal run for the asset class over October and the beginning of November. VIX at \$25.60 at the time of writing, having touched a high of \$28.99 on Friday.

Currencies: The Euro gained almost a full percent against other major currencies on Friday, bouncing after what was quite an oversold state for the currency. Traders reacted to the Omicron variant news on Friday and likely looked to unwind some of their US and UK rate hike bets for next year, causing USD and GBP to dip. EUR/USD is 0.25% lower this morning to 1.1290.

Safe-havens: Precious metals are rallying on Monday morning, likely benefitting from the prospect of less hawkish central banks in light of the Omicron variant, and also the general uncertainty. Gold is 0.6% higher to \$1,798, silver over 2% higher to \$23.63. Volatility in energy markets has unsurprisingly jumped in recent days, both Brent Crude and WTI futures are roughly 5% higher this morning following their whopping 11% to 12% drop on Friday (ninth biggest fall ever) amid Omicron variant fears. Bond yields across the board fell on Friday as investors rushed into the safe-haven assets, pushing real yields even deeper into negative territory. The benchmark US 10yr is yielding 1.53% on Monday, Germany's equivalent at a negative 0.31%.

Key Events to Watch

- 29/11/2021 - Fed Chair Powell speaks
- 30/11/2021 - Chinese Manufacturing PMI
- 01/12/2021 - US ISM Manufacturing PMI
- 03/12/2021 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,594	-2.27%	22.33%
DAX	15,257	-4.15%	11.21%
EuroStoxx	4,089	-4.74%	15.11%
ISEQ	7,834	-4.48%	6.21%
FTSE	7,044	-3.64%	9.03%
Nikkei 225	28,283	-1.63%	3.06%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1317	0.99%	-7.75%
EUR/GBP	0.8483	0.87%	-5.29%
GBP/USD	1.3340	0.15%	-2.57%
USD/CHF	0.9239	-1.28%	4.69%
USD/JPY	113.31	-1.77%	9.80%
EUR/JPY	128.22	-0.80%	1.29%

Fixed Income	Value	Daily Change
US 10yr	1.482	-0.114
US 2yr	0.508	-0.110
German 10yr	-0.338	-0.092
Irish 10yr	0.166	-0.076
UK 10yr	0.827	-0.140
Japanese 10yr	0.068	-0.004

Financial News Round Up

The Week Ahead

Without a doubt the main focus for markets this week will be around the new Omicron Covid-19 variant. While equities are looking to rebound this morning and make up some of Friday's losses, market participants will likely remain somewhat cautious over the coming days until we get further clarity around the virus.

It is looking like it will be at least two more weeks before we have a proper understanding of the new strain of the virus, as well as if any of the current shots will be effective in preventing it. We note that the World Health Organisation stated over the weekend that it was "not yet clear" whether the severity or transmissibility of Omicron differed from previous variants. This new variant may result in central banks remaining dovish for longer than was expected, traders may look to remove their bets on rate hikes in the US and UK next year should the virus spread worsen.

Looking at the regular economic data points: Monday morning saw the release of some stronger than expected inflation prints for certain Eurozone nations. Later today ECB President Lagarde, Fed Chair Powell, and BOC Governor Macklem are all due to speak at separate events, we believe it is probably too early today for central bank officials to comment on the Omicron variant.

In the early hours of Tuesday morning China will release their Manufacturing PMI result for November, expected to come in below 50.0 and in contractionary territory for the third consecutive month. This will be followed by a monthly Canadian GDP release tomorrow afternoon, and Jerome Powell is also due to testify on the CARES Act (Coronavirus Aid, Relief, and Economic Security) on both Tuesday and Wednesday. Wednesday afternoon will also see a US Manufacturing PMI result, along with a speech from the Bank of England Governor Bailey, investors will be keen to see if the BOE are still on course to hike during December.

Moving towards the end of the week, OPEC leaders will meet on Thursday to discuss the recent volatility in oil markets and whether to press on with their current plans to increase output in the new year. The likely highlight of the week from an economic calendar point of view will come on Friday in the form of the US Non-Farm Payrolls figure and the nation's monthly Unemployment Rate (expected at 4.5% vs the previous 4.6%).

Consumer & Business Confidence

According to the latest Bank of Ireland Economic Pulse survey, consumer and business confidence dropped during November amid rising Covid cases and some Brexit setbacks. The survey, which records data from households and businesses on areas such as finances, spending plans, house prices, and business activity has come in at its lowest reading in 8 months at 83.2. This reading is down 4.4 m/m but importantly 16.2 higher than the same result one year ago.

Taking a closer look, the consumer side came in at 75.2, 1.9 points lower than during October and 14.9 higher y/y, while the business survey was 85.2, down 5.1 m/m but 16.6 higher compared with November 2020.