

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL
Wealth & Investment Management

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Markets Outlook

Equities: Prices are up on Tuesday morning, the main indices in Europe are just over 1% stronger at the time of writing, and are looking to undo yesterday's losses. Attention remains on the likely timing of US monetary policy normalization, tomorrow's US CPI release will be watched closely by equity investors all around the world in this regard. The VIX volatility index is marginally lower this morning to \$19.30 after briefly trading up above \$23 yesterday, futures in the States are edging higher on Tuesday. Asia was mixed overnight, China and Japan seeing lower trade. Markets in general seem more optimistic about Covid, headlines continue to revolve around high case numbers, however data shows that risk of hospitalization is reduced.

Currencies: So-called 'safe haven' currencies such as the Dollar and Japanese Yen went bid on Monday, with Euro, Sterling and other slightly riskier currencies losing ground. EUR/USD maintains its rangebound trade between 1.125 - 1.135, with tomorrow's inflation reading as a potential catalyst to break this range.

Safe-havens: Gold is higher on the week so far, rallying by about half a percent on Tuesday ahead of the US inflation data tomorrow, the precious metal at \$1,808. Bond yields have taken a break today from their recent significant move higher, 10yr Bund is currently yielding -0.05% and slightly down on yesterday, while the US 10yr is at 1.74%. Yield curves have stabilised over the past month, having flattened quite rapidly before that, the US 10yr minus 2yr is currently at 0.86%.

Looking ahead: Both ECB President Lagarde and Fed Chair Powell are due to speak today, Lagarde this morning and Powell at 3pm Irish time. The main data point of the week is due tomorrow from the US in the form of December's CPI inflation release, expected at a whopping 7.0% y/y. The Q4 2021 earnings season kicks off this week, on Friday we will see results from the likes of JP Morgan, Wells Fargo, BlackRock, and CitiGroup, with a busy week for corporate earnings the following week.

Key Events to Watch

11/01/2022 - Fed Chair Powell speaks
12/01/2022 - US CPI
13/01/2022 - US PPI
14/01/2022 - UK GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,670	-0.14%	-2.01%
DAX	15,768	-1.13%	-0.73%
EuroStoxx	4,239	-1.54%	-1.37%
ISEQ	8,510	-0.99%	0.78%
FTSE	7,445	-0.53%	0.82%
Nikkei 225	28,222	-0.90%	-1.98%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1324	-0.26%	-0.26%
EUR/GBP	0.8339	-0.17%	-0.70%
GBP/USD	1.3575	-0.12%	0.46%
USD/CHF	0.9272	0.90%	1.49%
USD/JPY	115.20	-0.37%	0.09%
EUR/JPY	130.45	-0.63%	-0.18%

Fixed Income	Value	Daily Change
US 10yr	1.755	-0.010
US 2yr	0.898	0.028
German 10yr	-0.036	-0.007
Irish 10yr	0.366	0.000
UK 10yr	1.191	0.013
Japanese 10yr	0.146	0.015

Financial News Round Up

Airbus

Airbus has retained its title as the world's largest aircraft manufacturer for the third year in a row after the company beat its target to deliver 600 units last year, even as it used a more cautious tone with regard to the emergence of the Omicron variant. It emerged this morning that the European multinational aerospace corporation delivered 611 revenue-generating aircraft last year, up 8% on that of 2020. These numbers give Airbus a clear lead within the market, the latest figures we have from Boeing showed that the firm had delivered just 302 revenue-generating units in the first 11 months of the year. Boeing is of course still dealing with the aftermath of its safety crisis regarding its 737 MAX model, we note the company is also currently negotiating snags that suspended deliveries of its wide-body 787 Dreamliner.

Looking at comments from management: Airbus chief executive Guillaume Faury said that the robust performance points to the fact that airlines are confident about the growth of air travel after the pandemic. Still, he did allude to the rapid spread of Omicron, stating that Airbus and its suppliers were closely observing the latest variant's trends, although so far it has not led to any significant disruptions.

"Omicron has the potential to have a significant impact. For the moment we don't observe disruptions or risks that would impact us at a later stage" he stated.

Airbus, whose shares gained 25% in 2021, currently trade at €117.82 in Paris and are about 15% off their all-time high achieved back in January 2020. The stock trades on a forward price-to-earnings multiple of 23.6 times, versus Boeing's stretched 65.8x, and a TTM P/E of 22x vs the industry 21x. Airbus is expected by analysts to grow its earnings by an average of 16.7% per annum over the next three years vs the broad market's 11.5%, and is forecast to generate a return-on-equity of over 35% vs its industry 13%.

WEF Survey

Only about 10% of World Economic Forum (WEF) members surveyed are expecting the global recovery to accelerate over the next three years. This is according to a poll of almost 1,000 business, government, and academic leaders, with only one in six showing significant optimism about the world outlook at present.

Climate change was seen as the main danger by respondents in the WEF's annual risks report today, other risks which had increased the most since the onset of the pandemic were the erosion of social cohesion, livelihood crises and mental health deterioration. "Global leaders must come together and adopt a coordinated multi-stakeholder approach to tackle unrelenting global challenges and build resilience ahead of the next crisis" stated Saadia Zahidi, managing director WEF. We note that the report also highlighted four main areas of emerging risk: cybersecurity, a disorderly climate transition, migration pressures, and competition in space.