Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL

Wealth & Investment Management

Thursday, 13th of January

Markets Outlook

Equities: Indices are flat to marginally lower on Thursday morning after European and North American markets saw gains yesterday. Equity investors are likely still digesting yesterday's US inflation data, which came in at 7.0% y/y, the highest level since 1982. Stock markets in fact rallied after the release yesterday, pointing to the fact that they had probably been bracing for an even higher and more concerning result. The VIX is steady, trading around the $18.00 mark at the time of writing on Thursday.

Currencies: EUR/USD has indeed broken out of its relatively tight range of the last 6+ weeks, after trading almost 0.7% higher on Wednesday - the world's most traded currency pair a further 0.2% stronger this morning to 1.146 for the first time since mid-November. Similarly, GBP/USD (cable) is rallying, pushing up to 1.373 and up 1.5% YTD so far. This Dollar weakness came after yesterday's CPI data failed to encourage any further bets on aggressive Fed policy tightening.

Safe-havens: Bond yields across all time frames have been very quiet this week on either side of the Atlantic, taking a break after last week's jump higher, US 10yr currently at 1.75%, Germany's 10yr at -0.04%. Gold has edged higher on the week so far, the precious metal trading just below $1,820 and still awaiting the next significant catalyst to move prices.

Looking ahead: This afternoon the US Producer Price Index (PPI) will come out, at 1:30pm Irish time, but will likely carry less weight than yesterday's CPI reading. Tomorrow morning the UK will release m/m GDP data for November, expected to come in at 0.4% vs the previous 0.1%. Friday will be a busier session in terms of economic data, during the afternoon we will also see the US' December Retail Sales result and ECB President Lagarde will be speaking at an online event.

Key Events to Watch

13/01/2022 - US PPI
14/01/2022 - UK GDP
14/01/2022 - ECB President Lagarde speaks
14/01/2022 - US Retail Sales

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,726	0.28%	-0.84%
DAX	16,010	0.43%	0.79%
EuroStoxx	4,316	0.81%	0.42%
ISEQ	8,604	0.55%	1.90%
FTSE	7,551	0.81%	2.26%
Nikkei 225	28,489	-0.96%	-1.05%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1439	0.66%	0.84%
EUR/GBP	0.8346	0.14%	-0.60%
GBP/USD	1.3707	0.52%	1.47%
USD/CHF	0.9143	-0.95%	0.07%
USD/JPY	114.68	-0.52%	-0.48%
EUR/JPY	131.18	0.11%	0.34%

Fixed Income	Value	Daily Change
US 10yr	1.752	0.006
US 2yr	0.922	0.034
German 10yr	-0.057	-0.025
Irish 10yr	0.339	-0.037
UK 10yr	1.145	-0.028
Japanese 10yr	0.126	-0.005

Financial News Round Up

Food Retailers

This morning we have seen British multinational groceries and general merchandise retailers Tesco and Marks & Spencer both upgrading their profit outlooks after what was a robust Christmas performance for both firms.

Firstly, to Tesco: the company is raising its outlook for the second time in the last four months after an encouraging rise in Christmas revenues despite a tough comparative with the previous year when spending was elevated by lockdowns at the time. Tesco's like-for-like sales increased by 0.2% y/y in its fiscal Q3 (to November 27th) and were 0.3% higher in the six weeks to January 8th. The group is now forecasting for a full-year 2021-22 retail operating sales of "slightly above" the top end of its prior range (£2.5 - £2.6b).

Tesco stated that its third-quarter like-for-like revenues were a strong 6.9% higher than in the same period in 2019/20, before the onset of Covid-19. Reportedly, Irish sales were also considerably higher than during the same time two years ago, having risen by almost 10% over the 19 weeks that ended on January 8th.

Taking a look at M&S, the firm has said that it is now expecting full-year profits before tax and adjusted items to be "at least" £500m compared to their most recent guidance for "about" £500m. M&S saw its food sales rise by 12.4% in the 13-week period to January 1st, when compared with two years before. "Trading over the Christmas period has been strong, demonstrating the continued improvements we've made to product and value" said chief executive Steve Rowe.

These bullish updates follow similar upgrades from rivals Sainsbury's earlier in the week and also from the UK divisions of Lidl and Aldi.

CSO Data

Yesterday the country's Central Statistics Office (CSO) released data showing that the unemployment rate dropped to 5.1% last month and that there has only been a narrow increase in jobless claims over recent weeks. These positive developments would indicate that the recent Omicron-related restrictions in the Republic have actually had very little damage on the hospitality sector.

Also, the CSO provided us with updates on the rate of savings around the country. The household savings rate fell slightly to 16.7% during Q3 of 2021, albeit it is still currently twice the long-term average rate. The figure was at 20.3% during Q2 of last year.

Fed Update

Federal Reserve official Patrick Harker last night stated that he would support more than three interest rate hikes in the US in 2022, should inflation continue to increase. "I currently have three increases in for this year, and I'd be very open to starting in March" he said in an interview with the Financial Times, "I'd be open to more if that's required".

These comments of course follow the release of the 7% US CPI print yesterday, which Harker described as "very high, very bad".