

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Stock markets are around 0.5% stronger on the continent on Wednesday morning, trading higher after what was a positive session yesterday and also overnight for Asia. These stock market gains in Europe match the positive momentum seen globally as investors attempt a comeback after a dismal January. US futures are also seeing higher trade this morning, having now made up for about half of the sell-off of the last few weeks. This move has brought the VIX down to a two-week low of \$21.60. While Q4 earnings have been mixed so far, Alphabet's (Google) strong results last night have helped boost risk sentiment in the States.

Currencies: USD continues to move slightly lower again today, the Dollar index is 0.25% weaker to 96.15 and back into its range from December. This move comes as gains in risk assets around the world have boosted sentiment, while Fed officials also reined in rate hike expectations. Sterling is quiet on Wednesday, with the BOE's likely rate hike tomorrow already well priced into British markets, EUR/GBP at 0.834, GBP/USD at 1.353.

Safe-havens: Gold has been quiet this week, trading just below \$1,800 after falling from \$1,850 last week on concerns about a more hawkish Fed. Yields on the short end have risen in Europe after stronger than expected regional inflation results this week, Germany's 2yr now yielding -0.49% for the first time in three years. Elsewhere, bonds have been steady in recent days.

Looking ahead: OPEC leaders meet today to discuss future oil prices and also levels of production this year. We will also see the US 'ADP Employment Change' figure in the afternoon, this is normally a decent predictor of the region's Non-Farm Payroll result (due this Friday). Tomorrow, focus will be on the Bank of England and European Central Bank monetary policy releases. With regard to earnings: later today we are due to hear from T-Mobile, Meta Platforms (Facebook), and Thermo Fisher Scientific, followed on Thursday by Roche, Siemens Gamesa Renewable Energy, Shell, Amazon, Ford, and many others.

Key Events to Watch

03/02/2022 - BOE Rate Decision

03/02/2022 - ECB Rate Decision

03/02/2022 - US Services PMI

04/02/2022 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,546	0.69%	-4.61%
DAX	15,619	0.96%	-1.67%
EuroStoxx	4,224	1.19%	-1.72%
ISEQ	8,351	1.59%	-1.10%
FTSE	7,535	0.96%	2.05%
Nikkei 225	27,533	1.68%	-4.27%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1269	0.32%	-0.82%
EUR/GBP	0.8333	-0.20%	-0.75%
GBP/USD	1.3520	0.56%	-0.04%
USD/CHF	0.9214	-0.59%	0.96%
USD/JPY	114.71	-0.34%	-0.29%
EUR/JPY	129.27	-0.02%	-1.10%

Fixed Income	Value	Daily Change
US 10yr	1.795	0.011
US 2yr	1.169	-0.015
German 10yr	0.037	0.023
Irish 10yr	0.508	-0.010
UK 10yr	1.311	0.002
Japanese 10yr	0.174	-0.001

Financial News Round Up

Alphabet

Alphabet Inc, parent company of Google, reported a strong set of fourth-quarter earnings last night, which have been very much welcomed by tech investors.

Q4 revenue surged by 32% to \$75.3b, a slowdown from Q3's notable 41% growth but still about \$3b higher than the consensus forecast. Wall Street had been preparing for a significant deceleration in growth over the coming 12 months, as Google will face harder y/y comparisons with the robust quarterly performances seen in 2021. Most analysts estimate that we will see revenue growth of about 17% this year. However, we believe the bounce in revenues during Q4 will prompt somewhat of a rethink.

We note that the company also announced a 20-for-1 stock split, which will allow more retail traders to invest in the stock and should serve to boost sentiment around the name further. This is just the second time since the company's IPO in 2004 that it has issued a stock split.

The shares rose sharply in after-hours trade last night, and look set to open about 10% higher at \$3,040 in New York later today. This will leave Alphabet just above its previous all-time high from November, when Omicron fears and expectations of a much tighter Fed in 2022 caused the name to witness a circa 18% drawdown over the course of a 10 week period. Before last night's results, the stock traded on a forward-P/E multiple of 25.4 times and trailing-twelve-month P/E of 25.9x (vs industry 26.1x). Interestingly, Alphabet's value has been lifted back to almost \$2 trillion following this latest surge in its stock price, securing its place as the world's third largest firm behind Apple and Microsoft.

Eurozone Inflation

This morning we have been provided with the Eurozone's initial CPI inflation result for January, with the main CPI coming in at a record high of 5.1% y/y. This is against projections for a 4.4% result and the previous month's 5.0%. Looking at the Core CPI figure, which excludes volatile items such as food and energy, we saw January's reading come in at 2.3% y/y vs the 1.9% expectation and the prior 2.6%.

Clearly, the main CPI figure is still running at more than twice the ECB's 2% target and has done so now for four consecutive months. This may pose an issue for the central bank, who are meeting today and tomorrow. We expect the ECB to reiterate roughly what it has said before on the matter - that temporary factors are behind the increase and supply-side inflation will abate in the months ahead.

Novartis

Swiss pharmaceutical giant Novartis reported Q4 results earlier today, stating that core operating income increased by 9% (to \$3.8b) as higher drug sales offset rises in marketing and development costs. The shares are 2.7% lower following the release to 78.94 Swiss Francs on Wednesday, now just 1.7% lower YTD after losing 4% of its value last year.