



Markets Outlook

Equities: Stock markets in Europe are about 0.4% higher on Thursday following a couple of days of lower trade.

Asian equities were under pressure overnight on the back of a stronger Dollar and also tech sector losses.

There are several headwinds at work now for equity markets. Firstly, traders are attempting to assess the likely damage that will come from the US and EU's heavier sanctions on Russia. But markets now also have surging bond yields to contend with, which have been driven by an increasingly hawkish Fed who are trying to curb multi-decade-high inflation.

Looking at the States, the VIX has edged higher this week, currently at \$21.90. US futures are mixed but relatively quiet on Thursday morning.

Currencies: The Dollar has benefited this week as markets continue to price in a more hawkish Federal Reserve. The Dollar index, which tracks the world's reserve currency against a basket of 6 other major currencies, is at an almost 2-year high of 99.78 this morning. Euro traders will closely watch the ECB minutes release later today.

Thursday, 7th of April

Safe-havens: Longer-dated Treasury yields moved higher again on Wednesday after the release of the Fed's minutes, with the region's 10yr touching a high point of 2.65%. The US 2yr however edged slightly lower to 2.44% , causing yield curves to steepen and the 10yr - 2yr spread to bounce back into positive territory.

Precious metals have seen relatively quiet trade over the past week, despite ongoing geopolitical and monetary policy concerns for broader markets. Gold remains rangebound at \$1,926 on Thursday.

Looking ahead: In the early afternoon the ECB will release the minutes from its March meeting, following what was a relatively hawkish set of minutes from the Fed last evening. US Treasury Secretary Janet Yellen is also scheduled to speak at an event later on in Washington DC.

Friday will be fairly muted in terms of data points, next week however will be much busier. On Monday we are due to see Chinese CPI inflation, UK GDP, and a round of OPEC meetings. The highlights of next week will be Tuesday's US CPI release, Thursday's ECB monetary policy statement, and also the beginning of the Q1 corporate earnings season.

Key Events to Watch

- 06/04/2022 - Fed Meeting Minutes
- 07/04/2022 - ECB Meeting Minutes
- 12/04/2022 - US CPI inflation
- 14/04/2022 - ECB Rate Decision

Financial News Round Up

Fed Minutes

Risk assets have reacted adversely to the Federal Reserve's latest meeting minutes, which were released yesterday evening and included plans for the US central bank to shrink its balance sheet by more than \$1 trillion a year. The roadmap for reducing the assets the Fed bought during the pandemic was spelled out in the minutes. Officials proposed reducing the balance sheet at a maximum monthly pace of \$60b in Treasuries and \$35b in mortgage-backed securities - in line with market expectations and nearly double the peak rate of \$50b per month the last time the Fed trimmed its balance sheet in 2017-2019.

It has now emerged that several members of the Fed supported raising rates by 50bp at the March meeting in order to combat inflation, but the central bank ultimately went with 25bp due to the near-term uncertainty caused by the invasion of Ukraine.

"Many participants noted that one or more 50 basis point increases in the target range could be appropriate at future meetings, particularly if inflation pressures remained elevated or intensified".

It was interesting to see that Fed officials also believed "that the committee's previous communications had already contributed to a tightening of financial conditions, as evident in the notable increase in longer-term interest rates over recent months".

Russian Bonds

Russia moved one step closer to a potential default on its foreign currency debt yesterday after the country's finance ministry said it was forced to make payments to holders of its dollar-denominated bonds in rubles. This decision came after the US Treasury department blocked US banks from handling dollar payments from Russia, halting \$649m in interest and principal payments due on Monday.

"Due to the unfriendly actions of the US Treasury...the Russian Ministry of Finance was forced to involve a Russian financial institution to make the necessary payments" the ministry said in a statement yesterday. Payments will instead be made to ruble-denominated accounts in Russia and the proceeds can be converted into dollars following the restoration of the Russian Federation's access to foreign currency accounts" it added.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,481	-0.97%	-5.98%
DAX	14,151	-1.89%	-10.91%
EuroStoxx	3,824	-2.38%	-11.02%
ISEQ	6,971	-3.10%	-17.44%
FTSE	7,587	-0.34%	2.75%
Nikkei 225	26,888	-1.69%	-6.61%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0893	-0.09%	-3.91%
EUR/GBP	0.8334	-0.06%	-0.65%
GBP/USD	1.3068	0.00%	-3.26%
USD/CHF	0.9329	0.33%	2.19%
USD/JPY	123.79	0.15%	7.50%
EUR/JPY	134.85	0.07%	3.31%

Fixed Income	Value	Daily Change
US 10yr	2.596	0.042
US 2yr	2.461	-0.063
German 10yr	0.646	0.038
Irish 10yr	1.311	0.030
UK 10yr	1.735	0.080
Japanese 10yr	0.230	0.002