



Markets Outlook

Equities: Stocks have opened lower in Europe on Friday morning, after the sell-off on Wall Street last night. The benchmark EuroStoxx50 index is currently just shy of 2% lower to €3,854 this morning, led lower by technology and energy.

We have seen more hawkish comments from central bankers on Thursday, causing equities to pull back, growth and higher valuation names now looking set to finish the week in the red. We have seen more defensive sectors outperform this week once again, with the likes of consumer staples, utilities, financials, and healthcare seeing inflows.

The VIX is marginally higher on the week, having previously moved in both directions, now at \$23.30. Over the coming weeks equity markets will turn their attention to Q1 earnings results.

Currencies: In level terms, EUR/USD is resting at quite a significant point - the world's most traded pair is near a major support area around 1.07-1.08. If broken, the Euro will trade to its lowest point vs USD since 2017. On a larger timeframe, the currency pair is at a 20-year upwards trend-line, which in theory should provide some support.

JPY this week saw its lowest prices vs the Dollar in two decades, as the divergence in monetary policy between the two regions continues to grow.

Safe-havens: Gold has sold off this week, the metal now down to \$1,933 and around the middle of its range of the past 5 or so weeks. The more volatile silver markets are similarly moving lower, down 2% this morning to \$24.11.

Yield curves flattened somewhat yesterday in the US, after Jerome Powell's comments on rate increases this year. The spread between the US 10yr and 2yr fell back to 0.22% last night, after bouncing back into positive territory recently.

US 10yr yield is now up to 2.94%, German 10yr to 0.95%, and UK 10yr to 2.01% on Friday morning.

Looking ahead: Later on Friday we will get Q1 earnings results from Verizon and Schlumberger. We will also see US Services and Manufacturing PMI readings this afternoon after positive results from the Eurozone earlier and mixed results from the UK. Headlines this weekend will likely focus on the second and final round of voting for France's presidential election this Sunday.

Next week will be important in terms of corporate earnings, on Monday we will hear from Coca-Cola, Philips, and Hyundai. On Tuesday: Microsoft, Alphabet, Visa, GE, UBS, HSBC, Novartis. Wednesday: Meta (Facebook), T-Mobile, Qualcomm, Boeing, PayPal, GSK. Thursday: Apple, Amazon, Mastercard, Sanofi, Intel, McDonald's. Finally, on Friday Chevron, AbbVie, ExxonMobil, and AstraZeneca will release.

Friday, 22nd of April

Key Events to Watch

22/04/2022 - US PMIs

22/04/2022 - ECB's Lagarde & BOE's Bailey speak

24/04/2022 - French Presidential Election

28/04/2022 - US GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,393	-1.48%	-7.82%
DAX	14,502	0.98%	-8.70%
EuroStoxx	3,928	0.80%	-8.62%
ISEQ	7,473	1.86%	-11.49%
FTSE	7,627	-0.02%	3.30%
Nikkei 225	27,105	-1.63%	-5.86%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0836	-0.13%	-4.62%
EUR/GBP	0.8316	0.17%	-0.76%
GBP/USD	1.3028	-0.29%	-3.86%
USD/CHF	0.9531	0.52%	4.53%
USD/JPY	128.39	0.40%	11.19%
EUR/JPY	139.10	0.25%	6.02%

Fixed Income	Value	Daily Change
US 10yr	2.908	0.074
US 2yr	2.674	0.099
German 10yr	0.925	0.063
Irish 10yr	1.499	0.044
UK 10yr	1.988	0.072
Japanese 10yr	0.241	-0.001

Financial News Round Up

Powell Comments

The Chair of the Federal Reserve Jerome Powell spoke at an IMF conference in Washington DC yesterday, stating that the US central bank will look to move more quickly in this current tightening cycle, as they attempt to curb inflation. This comes days after Fed official James Bullard pointed to the possibility of a 75 basis point rate hike in the US in May.

"It is appropriate in my view to be moving a little more quickly" the Fed chair said yesterday, "We make these decisions at the meeting and we'll make them meeting by meeting, but I would say that 50 basis points will be on the table for May".

Markets in the United States are currently pricing in for the Fed funds rate to get to a range of between 2.75% - 3.00% by the end of 2022. This would imply up to four 50bp hikes this year with the rest at 25bp. We believe markets may have gotten slightly ahead of themselves in this regard. We see the potential for some upside relief in equities during Q2 and Q3 should inflation in the region ease somewhat, allowing the Fed to tighten less aggressively than this.

Twitter

Elon Musk has unveiled a \$46.5 billion financing package to fund his takeover bid for Twitter, a deal that would be one of the largest leveraged buyouts ever. The Tesla CEO has sourced roughly \$25.5bn in debt, including a margin loan of \$12.5bn against his Tesla shares. The loan is coming from a group of banks led by Morgan Stanley, Musk's financial adviser.

Separately, he stated that he would provide \$21bn worth of equity for the deal, although no further details were given on the source of this portion of the financing.

Securing the financing is a crucial milestone for the entrepreneur, who made a \$43bn hostile offer to take Twitter private last week. The San Francisco-based social media group acknowledged receiving Musk's "updated, non-binding proposal", but gave no formal response other than to say its board was "committed to conducting a careful, comprehensive, and deliberate review" of the offer.

Irish Construction

According to figures from the Society of Chartered Surveyors Ireland (SCSI), the rate of construction price inflation in Ireland is now running at over 13%. "The main reasons for current price inflation are high price volatility across a range of building materials, labour shortages, and the extremely high demand for projects across all tiers as the industry continues to readjust in the wake of the Covid crisis" said Kevin Brady, chair of the Quantity Surveying Group in the SCSI.