



Markets Outlook

Tuesday, 2nd of August

Equities: European stock markets are trading roughly 0.7% lower at the time of writing on Tuesday morning, after seeing a very quiet start to the week yesterday.

In recent days we have seen escalated geopolitical tensions - namely between the US and China as Nancy Pelosi's (US House of Representatives speaker) planned visit to Taiwan comes into focus. Markets are becoming more sensitive to US-China headlines, after China again threatened a military response and the US in turn warned China against turning the visit into a crisis.

Additionally, the US has accused Russia of using Ukraine's largest nuclear power plant as a "nuclear shield" by stationing troops there, risking a nuclear accident. The VIX trades at \$24.15 on Tuesday.

Currencies: While trading marginally higher this morning, the US dollar moved lower against all major currencies yesterday, amid mixed risk sentiment across other asset classes. Dollar traders likely reacted to the US Manufacturing PMI figure yesterday afternoon which came in above expectations, albeit at its lowest level (52.8) since June 2020.

Fixed income: We continue to monitor the US Treasury yield curve, traders have continued to buy longer-duration bonds in expectation that the region will experience a central-bank-induced recession over the next year. This has pushed the US 10yr yield down to 2.5% this week and US 30yr to 2.8%.

The US 10yr-2yr spread, often a strong predictor of recessions, is now at its most negative point in 22 years, while the 10yr-3month spread is fast approaching an inversion.

Bonds have also caught a bid in Europe so far this week, the UK's benchmark 10yr yield now down to 1.74% and the German equivalent to 0.71% as nervousness around the global economy grows.

Commodities: Oil prices are lower after a positive few days last week - Brent Crude at \$99.40 and the North American WTI Crude at \$93.40 on Tuesday morning. Both of these oil contracts are nearing an important support zone, which if broken would bring them down to prices last traded around January/February.

Metals gained on Monday on the back of a weaker USD. Gold is up to \$1,790 today, while silver and copper have rallied to \$20.28 and \$3.50 respectively.

Key Events to Watch

03/08/2022 - US Services PMI

04/08/2022 - BOE Rate Decision

05/08/2022 - US Non-Farm Payrolls

10/08/2022 - US CPI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,118	-0.28%	-13.59%
DAX	13,479	-0.03%	-15.14%
EuroStoxx	3,706	-0.04%	-13.77%
ISEQ	6,831	0.34%	-19.10%
FTSE	7,413	-0.13%	0.39%
Nikkei 225	27,594	-1.42%	-4.16%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0263	0.51%	-9.93%
EUR/GBP	0.8372	-0.23%	-0.30%
GBP/USD	1.2258	0.74%	-9.63%
USD/CHF	0.9502	-0.29%	4.31%
USD/JPY	131.43	-1.45%	13.68%
EUR/JPY	134.87	-0.95%	2.38%

Fixed Income	Value	Daily Change
US 10yr	2.568	-0.102
US 2yr	2.874	-0.047
German 10yr	0.774	-0.051
Irish 10yr	1.413	-0.048
UK 10yr	1.807	-0.064
Japanese 10yr	0.172	0.000

Financial News Round Up

The Week Ahead

We are set for a slightly quieter week on global markets, as we return to work in Ireland for the shortened bank holiday week. However, we will still see a list of Q2 corporate results from a range of sectors, as well as central bank releases and important jobs data towards the end of the week.

In terms of monetary policy, the first release of the week came in the early hours of this morning, when the Reserve Bank of Australia hiked rates in the region by 50bp to 1.85%. This afternoon will be quiet in terms of economic data. Tomorrow morning will see the release of the Swiss CPI inflation figure for the month of July, expected at 3.5% y/y vs the previous 3.4%. We will then see the US Services PMI figure for July tomorrow afternoon.

The Bank of England will make their latest rate decision on Thursday at noon, the BOE expected by analysts to increase interest rates by 50 basis points to 1.75%. The central bank had previously been making 25bp adjustments since they kicked off their hiking cycle back in December of last year.

Moving on to Friday, we will get important jobs data from the US and Canada. The US 'Non-Farm Payrolls' figure (expected at +250k jobs vs the prior +372k) and monthly Unemployment Rate (exp. at 3.6% vs prior 3.6%) will be in focus for investors around the world, not just in the States.

In terms of earnings season: today before market open in the US we are due to hear from S&P Global, Caterpillar, Uber, and Marriot International, followed after market close by Starbucks, PayPal, Gilead Sciences, and Airbnb. Wednesday's corporate results will include numbers from Novo Nordisk, Toyota, CVS Health, and Moderna, with Thursday including Eli Lilly, Alibaba, and Amgen. Finally on Friday Berkshire Hathaway and ING Group will release second-quarter numbers.

Irish Manufacturing

AlB's Irish Manufacturing PMI for July, released this morning, shows that the sector remained in expansionary territory with a result of 51.8. This compares to June's 53.1 and May's 56.4. This result, which is derived from indicators for new orders, output, employment, suppliers' delivery times, and stocks of purchases, was in fact Ireland's weakest since January of 2021.

The fall was in line with the trend seen elsewhere in Europe - the UK's July result fell to 52.2, while the broad Eurozone figure came in at a contractionary result of 49.6. AlB's Oliver Mangan said that "Inflationary pressures remain pronounced, with prices rising at close to their fastest pace since the survey began in 1998... There were further marked increases in material, energy and labour costs, while the rate of output price inflation remained elevated".