



Markets Outlook

Equities: Stock markets on the continent are rallying again this week after seeing a strong July bounce. The EuroStoxx50 jumped by over 7% last month, while the S&P 500 in the States moved 9% higher. Earnings have been relatively robust, and markets have bounced from what were very oversold levels. Also, some market participants are now looking for the possibility of a dovish pivot from the Fed during H2, especially if we are currently seeing a peak in inflation.

London's FTSE 100 index is slightly weaker at the time of writing, as traders in the region anxiously await the BOE release at noon today. The bank is widely expected to hike by 50bp (most since 1995), in an attempt to tackle inflation which hit 9.4% recently.

Currencies: The Dollar index has traded marginally higher so far this week, although most currency pairs have been relatively quiet. The main focus for the US Dollar has been what the latest narrative is from Fed officials. This week we saw a reaffirmation that the Fed will remain aggressive and do what it takes to tackle inflation.

Sterling is flat ahead of today's BOE release. GBP/USD currently at 1.217 and EUR/GBP at 0.838.

Thursday, 4th of August

Safe-havens: The US 10yr-2yr spread moved even further into negative territory this week, as traders react to the Fed's hawkish comments amid persistent inflation and reasonably strong US economic data. The curve flattened as 10yr yields fell yesterday and shorter-dated bonds remained fairly constant.

Gold is currently on a three-week rally, and fast approaching \$1,800 again - the metal has benefited from elevated geopolitical concerns.

Looking ahead: Following results overnight and this morning from Adidas, Toyota, Credit Agricole, Lufthansa, ING Group, Novo Nordisk, Glencore, Next, and Alibaba, later today in the US we are due to get releases from Eli Lilly, Amgen, Thomson Reuters, Warner Bros, WeWork, AMC Entertainment, and Lyft.

On Friday Allianz, Deutsche Post, Hargreaves Lansdown, FBD Holdings, and LSE Group will all report.

The main event of the day will be the Bank of England's monetary policy release, due at noon, and followed 30 minutes later by BOE Governor Andrew Bailey's usual press conference. Markets are looking for a 50bp rate increase from the UK's central bank, to bring rates to 1.75%.

Key Events to Watch

04/08/2022 - BOE Rate Decision

05/08/2022 - US Non-Farm Payrolls

10/08/2022 - Chinese CPI

10/08/2022 - US CPI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,155	1.56%	-12.82%
DAX	13,587	1.03%	-13.98%
EuroStoxx	3,732	1.30%	-12.82%
ISEQ	6,908	1.76%	-18.19%
FTSE	7,445	0.49%	0.80%
Nikkei 225	27,932	0.69%	-2.99%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0164	0.00%	-10.45%
EUR/GBP	0.8367	0.19%	-0.35%
GBP/USD	1.2143	-0.24%	-10.13%
USD/CHF	0.9605	0.32%	5.44%
USD/JPY	133.86	0.53%	16.57%
EUR/JPY	136.03	0.48%	4.38%

Fixed Income	Value	Daily Change
US 10yr	2.706	-0.042
US 2yr	3.069	0.006
German 10yr	0.867	0.085
Irish 10yr	1.477	0.035
UK 10yr	1.938	0.069
Japanese 10yr	0.175	-0.005

Financial News Round Up

Irish Services

Ireland's services sector grew again last month, amid a sharp uplift in new work. AIB's 'Services PMI' for the country increased to 56.3 for the month of July, still well in expansionary territory (above 50.0) and up on June's 55.6. To give context, the overall Eurozone July Services PMI came in at 50.6, while the UK and US equivalents were at 53.3 and 47 respectively.

"In terms of the main components of the Irish survey, growth in new business remained strong, with the rate of increase in new export business picking up to a four-month high amid stronger client demand. As a result, July registered another significant increase in backlogs of outstanding business as pressure on capacity rose further. Meanwhile, there was yet another marked rise in employment, continuing the trend evident in the first half of the year" said AIB's chief economist Oliver Mangan.

Reportedly, firms in Ireland continued to experience upward pressure on input prices, in particular with regard to fuel, materials, and labour costs.

Adidas

German multinational sportswear manufacturer Adidas today reported a 28% drop in Q2 operating profit, coming in at €392 million. The firm cited its closures in Russia, higher supply chain costs, and Covid lockdowns in China and Vietnam. Currency-neutral revenue rose by 4% in April-June but net income fell from €387m one year prior to €360m.

The shares are relatively expensive and trade on a forward P/E of 22x and trailing P/E of 25x. This is despite their sharp pullback over the last 12 months, in which time they lost over 42% of their value to trade at €176.01. The stock is almost 3% stronger this morning following the release.

Toyota

Japanese carmaker Toyota's profit decreased by a considerable 42% during its first fiscal quarter (ending June 30th), down to 578.6 billion Yen (\$4.3b equivalent). The firm has had to repeatedly cut its monthly output forecasts due to the global chip shortage and also Covid-related closures of its Chinese plants.

The scale of this earnings hit was far beyond analysts' expectations, which were for just a 15% drop. Investors have clearly been caught by surprise with this result, with the stock trading down by 3% during the Japanese session overnight, now at 2,091 JPY and at the lower end of its near-5-month range (down 1% YTD).