



Markets Outlook

Friday, 5th of August

Equities: The main indices on both sides of the Atlantic are flat to slightly higher so far this week, after what was a relatively strong bounce in price during July. The consumer discretionary and technology sectors have both outperformed in recent days, as energy and healthcare traded lower.

Corporate earnings have been generally positive so far in this reporting season, and markets are coming around to the idea that we may see some sort of a dovish pivot from the Fed during H2 2022, especially if inflation does begin to come down from here. Meanwhile, we have seen a pickup in geopolitical tensions this week, after US House speaker Nancy Pelosi made her visit to Taiwan. VIX is at \$21.90 on Friday morning, and at the bottom of its wedge pattern of recent months.

Currencies: The US dollar took a step lower on Thursday, but is looking to make up for some of this lost ground today. The world's reserve currency has seen a quiet week, investors are likely caught on the fence between rising geopolitical tensions on the one hand, and strong corporate earnings and the possibility for peak inflation on the other hand. Dollar index is at 105.77 this morning, up 10.6% YTD.

Commodities: Oil prices continue to decline on Friday, now at their lowest point since February of this year. Brent Crude trades just below \$94 at the time of writing, while WTI Crude is at \$88.30. Energy markets do not seem too phased by the US-China situation, and are more concerned with the prospect of a recession just around the corner and the decrease in demand that would come from such a scenario.

Precious metals are mixed this week, gold at \$1,801 and silver at \$20.01.

Looking ahead: This afternoon will be quieter on the earnings front, after we have heard from FBD Holdings, Allianz, and Deutsche Post this morning. Next week we will hear from the likes of Dominion Energy, BioNTech, Barrick Gold, Sysco, Coinbase, Disney, NIO, Fox Corp, Baidu, Aegon, Deutsche Telekom, Siemens AG, Zurich Insurance, Aercap, Saudi Aramco, and Wheaton Precious Metals.

The main event of the day will be the US jobs data, due at 1:30pm Irish time. This will include the region's Unemployment Rate for July (expected at 3.6%) and Non-Farm Payrolls figure (expected at +250k jobs last month vs the prior +372k). Next week US CPI on Wednesday and UK GDP on Friday will be the main macro releases in focus.

Key Events to Watch

05/08/2022 - US Non-Farm Payrolls
10/08/2022 - Chinese CPI
10/08/2022 - US CPI
12/08/2022 - UK GDP

Financial News Round Up

Bank of England

At noon yesterday the Bank of England expectedly opted to raise interest rates in the UK by 50 basis points to 1.75%, their highest point since 2008. This was the largest hike from the central bank in 27 years, and comes after a series of 25bp rate hikes which began last December.

Importantly, and also somewhat alarmingly, the BOE forecasted for the UK economy to shrink during the fourth quarter, followed by another 4 consecutive negative quarters of growth next year. This would be the region's longest recession since the global financial crisis. The bank also said it sees inflation in the UK reaching 13.3% during Q4, citing higher energy prices. This would leave households facing two years in a row of declining disposable incomes - the largest squeeze since these records began back in 1964. The BOE sees inflation falling back to its 2% target in two years, after the hit to the economy takes its toll on demand.

Allianz

German multinational financial services firm and key constituent of our European High Dividend Portfolio 'Allianz SE' have this morning reported second-quarter earnings results.

The firm reported a 55% fall in adjusted earnings-per-share in Q2, down to €5.18. This is against forecasts for a 42% decline to €6.61. Operating profit increased by 1% to €6.73 billion, slightly better than was expected. Revenue rose by 7% in the April-June period to €81.17b, 3% above the consensus expectations for €75.75b.

The shares have fallen by roughly 2.1% after this release, down to €175.65 in Germany on Friday morning. Having pulled back during the second quarter, the stock is down over 15% YTD, now with more attractive valuations. Allianz has a trailing P/E of 15.9x, but a 12-month forward-looking P/E of just 9x. This compares to its peer average of 12.1x. In terms of income, the stock's recent pullback in price has led to an impressive 6.0% dividend yield, with its payout forecast by analysts to grow steadily in years to come.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,151	-0.08%	-12.89%
DAX	13,662	0.55%	-13.99%
EuroStoxx	3,754	0.59%	-12.65%
ISEQ	6,961	0.77%	-17.56%
FTSE	7,448	0.03%	0.86%
Nikkei 225	28,175	0.87%	-2.14%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0243	0.78%	-9.97%
EUR/GBP	0.8422	0.66%	0.14%
GBP/USD	1.2157	0.12%	-10.09%
USD/CHF	0.9549	-0.58%	4.89%
USD/JPY	132.85	-0.75%	15.70%
EUR/JPY	136.15	0.09%	4.17%

Fixed Income	Value	Daily Change
US 10yr	2.694	-0.012
US 2yr	3.048	-0.021
German 10yr	0.802	-0.072
Irish 10yr	1.388	-0.096
UK 10yr	1.887	-0.051
Japanese 10yr	0.162	-0.005