Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Wednesday, 31st of August

Equities: The main Eurozone stock markets are currently about 0.8% weaker, after the region saw its August CPI inflation print come in at 9.1% vs 9.0% expectations. The core figure (excluding food and energy price changes) was 4.3% versus analysts' 4.1% estimates.

Markets in the US were weaker last night, after a stronger Consumer Confidence result for the nation and also higher job openings numbers for July. While one would normally expect this positive data to boost stock markets, in reality it will allow the Federal Reserve to remain aggressive and possibly make even more hawkish comments in the coming days.

VIX is at $26.60 at the time of writing, higher on the week so far.

Currencies: The Dollar Index has been sitting near its 20-year highs all week, around the 109.10 mark. The greenback was supported yesterday by the stronger US Consumer Confidence figure, as traders were all but reassured that the Fed will remain hawkish.

The next catalyst for a USD move is likely to be this Friday's US jobs data, which will be due at 13:30 Irish time.

Fixed income: Bonds in the UK have sold off fairly aggressively again this week, pushing yields to multi-year highs as traders make further bets on high inflation in the region. The 2yr UK Gilt, which reflects market expectations for BOE policy, touched 3% yesterday for the first time since 2008.

The yield curve in the US flattened further on Tuesday, with shorter-duration yields increasing as bets for a 75bp September rate hike from the Fed picked up. Markets are now pricing in a 70% chance of a 75bp move from the US central bank.

Looking ahead: After this morning's Eurozone CPI inflation release, the remaining data points worth noting include Canada's m/m GDP figure for June, and the US 'ADP Employment Change'. This employment figure usually precedes the Non-Farm Payrolls by a few days and is less influential.

Importantly, we are just over one week away from the ECB's next monetary policy release. Some ECB officials have made the case recently for a 'large' rate hike next week, causing some speculation to build that the central bank will implement a 75bp move rather than 50bp which they previously did.

Key Events to Watch

01/09/2022 - Swiss CPI
01/09/2022 - US Manufacturing PMI
02/09/2022 - US Non-Farm Payrolls
05/09/2022 - US & Canadian Bank Holiday

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,986	-1.10%	-16.37%
DAX	12,961	0.53%	-18.10%
EuroStoxx	3,561	-0.24%	-16.74%
ISEQ	6,940	-0.15%	-17.81%
FTSE	7,361	-0.88%	-0.41%
Nikkei 225	28,091	-0.37%	-2.43%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0012	0.17%	-11.88%
EUR/GBP	0.8589	0.64%	2.20%
GBP/USD	1.1655	-0.44%	-13.76%
USD/CHF	0.9739	0.60%	6.73%
USD/JPY	138.79	0.07%	20.31%
EUR/JPY	138.96	0.25%	6.01%

Fixed Income	Value	Daily Change
US 10yr	3.112	-0.002
US 2yr	3.458	0.027
German 10yr	1.496	-0.009
Irish 10yr	2.142	-0.026
UK 10yr	2.739	0.128
Japanese 10yr	0.221	-0.001

Financial News Round Up

Dalata Hotel Group

Ireland and UK-based hotel company Dalata has issued a reassuring set of first-half numbers early this morning, with investors welcoming the results in the meantime. The shares are currently over 4.5% higher so far on Wednesday, now trading down by just c.1% YTD.

The two biggest questions going into this release for Dalata were around its RevPAR (Revenue Per Available Room), and also inflationary pressures and in particular energy costs. RevPAR, an important metric within the industry, surged from H1 2021's €16.28 to the current €88.61, also beating the pre-pandemic numbers in 2019 of €88.48. The group said that demand has mostly returned across all of its segments, led by robust leisure demand around event dates and weekends. It also stated that its corporate business returned although the mix and profile has been slightly skewed towards non-international corporates.

In terms of energy, management has encouragingly opted to hedge roughly 70% of its exposure, given energy price uncertainty at present. CEO Dermot Crowley pointed out this morning that energy pricing was a particular challenge to the outlook for the remainder of the year and into 2023, "Our energy bills in the first half went from €5 million at the same time in 2019 to €13 million. More worryingly, when we look at current pricing and what we've locked in, that's likely to rise by another €8 million to €21 million for the second half. That's a big concern" he said.

Overall H1 revenue came in at just over €220m, up 9% on H1 2019's levels. Dalata's occupancy rate stood at about 70%, with an average room rate of €126.89 (up from 2021's €81.99 and 2019's €110.30).

Ryanair

Ryanair CEO Michael O'Leary has said he expects the airline to lure passengers from more expensive rivals this winter as passengers tighten their belts because of the economic slowdown, according to the Financial Times yesterday. As energy bills and inflation in general soars, and households inevitably come under pressure, the industry is preparing for a less lucrative winter. Airlines have also had to contend with staff shortages this summer, just as demand was picking back up.

O'Leary stated that despite these developments, Ryanair would continue to grow "full steam ahead". He went on to add that "some people may travel less... but what we see (during recessions) is far more people trading down to the lowest fare operator... and I think that will happen again".