



Markets Outlook

Tuesday, 13th of September

Equities: European markets this morning are continuing their rally, the benchmark EuroStoxx50 index is half a percent higher at the time of writing. Asian markets also advanced overnight, with all the major benchmarks in positive territory, though gains were mild in comparison to Monday's rally.

Markets have been bouncing from what were very oversold levels about a week ago, as was evident from several market indicators and general positioning from money managers. Ukraine has reportedly liberated over 2,300 sq miles over the past month, offering some further support to risk assets in the West.

VIX is at \$23.60 on Tuesday morning.

Currencies: The US dollar has been mixed vs other major currencies, weakening against the Yen and Euro this morning as more traders take profits on the world's reserve currency. Dollar pairs will likely see lower volumes and volatility until after the US CPI release in the early afternoon, while Euro traders will also keep an eye on the region's Economic Sentiment data due at 10am. EUR/USD is at 1.014 today, GBP/USD at 1.17, and USD/JPY at 142.20.

Energy: The main oil contracts have edged higher so far this week, Brent Crude is 1.25% stronger on Tuesday morning to \$95.15 while WTI (West Texas Intermediate) Crude is also higher to \$88.80. Concerns around tight fuel supply ahead of what could be a challenging winter have offset investors' worries over weaker demand from China (the world's largest importer). Markets have been watching many nations' inventories become tighter - US President Biden for example has been drawing from the country's Strategic Petroleum Reserve in a desperate attempt to tackle high fuel prices.

Looking ahead: Investors will be hoping this afternoon for further confirmation that the United States has already hit peak inflation and is now on a trajectory heading lower. Realistically, the main release of the week is today's US CPI inflation print - due at 1:30pm Irish time.

The result is now expected at -0.1% m/m for August (vs July's 0.0%) and 8.1% y/y (vs the prior 8.5%). The Core CPI reading, which excludes the volatile food and energy price changes, is forecast at 0.3% m/m and 6.1% y/y. The Fed has traditionally kept a closer eye on core inflation, as it gives policymakers a more focused look at inputs such as housing. Today's results will influence the Fed at its September 21st meeting.

Key Events to Watch

13/09/2022 - US CPI

14/09/2022 - UK CPI

15/09/2022 - US Retail Sales

16/09/2022 - US Consumer Sentiment

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,110 | 1.06% | -13.76% |
| DAX | 13,402 | 2.40% | -15.63% |
| EuroStoxx | 3,646 | 2.14% | -15.17% |
| ISEQ | 7,181 | 1.96% | -14.96% |
| FTSE | 7,473 | 1.66% | 1.20% |
| Nikkei 225 | 28,620 | 0.27% | -0.60% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.0119 | 0.48% | -10.73% |
| EUR/GBP | 0.8660 | -0.08% | 3.02% |
| GBP/USD | 1.1679 | 0.51% | -13.30% |
| USD/CHF | 0.9536 | -0.64% | 4.13% |
| USD/JPY | 142.83 | 0.19% | 23.43% |
| EUR/JPY | 144.52 | 0.66% | 10.24% |

| Fixed Income | Value | Daily Change |
|---------------|-------|--------------|
| US 10yr | 3.358 | 0.043 |
| US 2yr | 3.575 | 0.013 |
| German 10yr | 1.644 | -0.056 |
| Irish 10yr | 2.239 | -0.073 |
| UK 10yr | 3.070 | -0.060 |
| Japanese 10yr | 0.241 | -0.003 |

Financial News Round Up

Ukraine Update

According to President Volodymyr Zelensky, Ukrainian troops have now retaken over 6,000 sq km (circa 2,300 sq miles) from Russian control over the course of September. Russia has admitted losing cities in the north-eastern Kharkiv region, in what is seen by some military experts as a potential breakthrough in this war. Moscow however has unsurprisingly described its troop withdrawal from the region this week as a "regrouping" with the new goal of focusing on the Luhansk and Donetsk regions in the east. In addition, some advances have also been reported by the Ukrainian army in the southern Kherson area, which borders with Crimea - the Ukrainian peninsula annexed by Russia back in 2014.

US Secretary of State Antony Blinken stated yesterday that Ukrainian forces had made "significant progress" in their counter-offensive, adding that it is too early to predict the outcome. "The Russians maintain very significant forces in Ukraine as well as equipment and arms and munitions. They continue to use it indiscriminately against not just the Ukrainian armed forces but civilians and civilian infrastructure as we've seen" Mr. Blinken said. At present, Russia still holds roughly one fifth of the country.

UK Jobs Data

The United Kingdom's unemployment rate came in earlier this morning at 3.6% (lowest reading since 1974) versus analysts' expectations for 3.8% and vs the previous result of 3.8%. This data point covered the three months to July.

The UK's Office for National Statistics (ONS) said the number of individuals in employment rose by 40,000 in the May-July period, less than a third of the increase expected by economists this week. Meanwhile, the economic activity rate, which accounts for the share of the population who are not in work and not looking for work, was 0.4% higher to 21.7%.

The Bank of England has previously flagged its concerns around increasing inactivity in the labour market as it has the potential to further fuel inflation pressures due to a lack of candidates to fill jobs.