

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Wednesday, 14th of September

Equities: European indices are trading slightly lower on Wednesday morning, continuing on with their risk-off tone from yesterday. However, it was the US that suffered the largest declines on Tuesday, with the benchmark S&P 500 down 4.3% - its worst day since June of 2020 and with 99% of its constituent companies sliding in value. Meanwhile, the Nasdaq fell by 5.2% as technology firms seen as most exposed to higher rates bore the brunt of the selling pressure. The FTSE is around 0.6% weaker this morning following the slightly lower than expected inflation result from the UK earlier - albeit still at 9.9% y/y.

Currencies: The prospect of higher rates in the US caused the dollar to jump yesterday, after the stronger than forecast inflation reading from the country was released. EUR/USD lost 1.5% to trade back below parity while GBP/USD (a.k.a. cable) fell 1.6% down to 1.15. The Chinese Yuan sold off overnight after a report that the US was considering sanctions against Beijing to deter an invasion of Taiwan. USD/CNY sits near a two-year high at 6.96.

Fixed income: The yield on short-dated US government debt (which tracks interest rate expectations quite closely) has hit its highest level in nearly 15 years, as investors increased their bets that the Fed will have to do more in the face of persistently high inflation. The US 2yr yield reached almost 3.8% last night, as much of the yield curve inverted further. The selling also hit Eurozone bonds yesterday, with Germany's 2-year Bund up 0.08 percentage points to 1.37%.

Looking ahead: After the release of the United Kingdom's CPI inflation reading this morning the next data point in focus will be the US PPI (Producer Price Index) for August. This figure is expected at -0.1% m/m vs July's -0.5% and 8.8% y/y vs July's 9.8%.

Overnight New Zealand will release its latest GDP data (expected to pick up slightly in Q2) and Australian jobs data will also come due (Unemployment Rate forecast at 3.4%, a 48 year low).

US August Retail Sales results will then be released tomorrow afternoon, expected at -0.1% m/m, and the Core figure at 0.0% m/m.

Key Events to Watch

15/09/2022 - US Retail Sales

16/09/2022 - UK Retail Sales

16/09/2022 - US Consumer Sentiment

21/09/2022 - Fed Rate Decision

Financial News Round Up

US Inflation

The latest Consumer Price Index (CPI) inflation reading from the US on Tuesday showed an 8.3% annual climb during the month of August and a 0.1% increase over the prior month, as inflationary pressures moderated less than expected by investors. Markets had priced in for 8.1% y/y and -0.1% m/m.

This data affirmed to market participants that the Federal Reserve will likely remain aggressive in its monetary tightening campaign to restore price stability. In fact, what is even more concerning for the Fed is that the Core CPI results actually picked back up - coming in at 6.3% y/y vs the 5.9% seen in both July and June. The m/m Core result (which excludes food and energy) also came in at an elevated 0.6% vs the prior 0.3%. Fed officials have made it very clear that they will not slow the pace of rate hikes until they see convincing evidence that core inflation pressure is easing on a sequential basis.

According to Federal Fund futures markets, investors have now priced in for a 62% chance that the central bank will hike by 75bp next week and a 38% chance that it will actually be a 100bp move - which would bring rates in the region to 3.25 - 3.50%.

European Energy

European Commission President Ursula von der Leyen yesterday said that the bloc could raise over €140 billion to help soften the cost-of-living blow for consumers by capping revenues from low-cost power producers.

"In our social market economy, profits are good. But in these times it is wrong to receive extraordinary record profits benefiting from war and on the back of consumers" von der Leyen told the European Parliament. The Commission is proposing a cap on the revenues of firms producing electricity at a low cost, rather than expensive gas. It is also looking to bring in a temporary levy on fossil fuel producers.

The President also announced that the bloc will set up a European Hydrogen Bank with €3b to help "building the future market for hydrogen", and said that the EU and Norway have agreed to set up a task force as part of efforts to lower gas prices.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,932	-4.32%	-17.49%
DAX	13,188	-1.59%	-16.97%
EuroStoxx	3,586	-1.65%	-16.57%
ISEQ	7,018	-2.26%	-16.88%
FTSE	7,385	-1.17%	0.02%
Nikkei 225	27,849	-2.67%	-3.34%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9970	-1.47%	-12.26%
EUR/GBP	0.8672	0.14%	3.30%
GBP/USD	1.1491	-1.61%	-15.03%
USD/CHF	0.9613	0.81%	5.48%
USD/JPY	144.55	1.20%	24.88%
EUR/JPY	144.09	-0.30%	9.56%

Fixed Income	Value	Daily Change
US 10yr	3.412	0.054
US 2yr	3.745	0.170
German 10yr	1.718	0.073
Irish 10yr	2.296	0.045
UK 10yr	3.166	0.096
Japanese 10yr	0.247	0.001