



Markets Outlook

Monday, 19th of September

Equities: Stock markets in the Eurozone have opened marginally lower to kick off the new week, while the UK will remain closed today for the funeral of Queen Elizabeth II. Asian equities moved lower overnight as caution prevails ahead of Wednesday's Federal Reserve release. Global markets seem to have entered a risk-off mode over the past week as the prospect of more aggressive central banks and a longer wait before any dovish pivot appear to have undercut any hopes of a 'soft-landing'. We expect volumes on both sides of the Atlantic to remain lower than average until after the Fed's release on Wednesday evening, as investors remain cautious and opt to sit on the fence in the meantime. VIX is at \$27.45 on Monday morning.

Fixed income: Bond markets were mostly quiet on Friday, and will probably remain this way over the next couple of days. The benchmark US 10yr yield almost reached a fresh 11-year high when it hit 3.49% last week, while shorter-duration yields in the region have continued to surge to multi-decade highs.

Currencies: The Dollar index, which measures the world's reserve currency against a basket of 6 other major currencies, has gained ground over the past week, the index now sitting at 109.79. The next catalysts for a Dollar move will most likely come from the Fed on Wednesday, as the central bank reacts to recent CPI inflation data that was higher than expected.

Sterling has been weak, we are seeing nervousness from markets around some of the policies that the new PM Liz Truss plans to introduce - including tax cuts, spending increases, etc. GBP/USD is near its lowest rate since 1985 around 1.1350, as the UK economy looks particularly vulnerable to a recession in 2023.

Commodities: Precious metals are on the back foot this morning, gold is currently 0.75% weaker to trade at \$1,671. Gold is at an important support zone at present, with prices below having not been traded since early-2020. Fed policy will be a significant driver of the metal this week and next. Oil markets have been relatively quiet over recent trading sessions, Brent Crude is lower today at \$90.40.

Key Events to Watch

- 19/09/2022 - UK Bank Holiday
- 21/09/2022 - Fed Rate Decision
- 22/09/2022 - BOJ, SNB, BOE Rate Decisions
- 23/09/2022 - European & US PMIs

Financial News Round Up

The Week Ahead

This week, central banks will be front and centre, as investors brace for further hawkishness and we see rate decisions from the US Federal Reserve, Bank of England (BOE), Bank of Japan (BOJ), and the Swiss National Bank (SNB). We note that over the weekend the ECB's chief economist Philip Lane reiterated his view that the central bank will continue to increase interest rates in the region even if it causes more economic pain.

Firstly, on Monday, the macroeconomic calendar is quite sparse. The UK and Japan both have bank holidays today which involve the closure of their respective stock and bond markets. Tomorrow we will see the release of the most recent meeting minutes of the Reserve Bank of Australia, and Canada will also report August CPI figures (forecast at 7.3% y/y vs previous 7.6%). ECB's Lagarde is also due to speak at an event in Frankfurt on Tuesday.

Without a doubt the main event of the week will be the Federal Reserve's rate decision and monetary policy release, due at 7pm Irish time on Wednesday. Policymakers are mostly expected to deliver another 75 basis point rate hike, although some parts of the market are now pricing in for a massive 100bp move. Chairman Jerome Powell will give his usual post-meeting press conference shortly after the main release, where his language and tone will be closely monitored. Importantly, the central bank will be releasing its updated inflation, growth, and rate expectations for the US economy - these only come at every second Fed meeting.

In the early hours of Thursday morning the BOJ will release, expected to leave rates in Japan at -0.10%. This will be followed by the SNB, who are forecast to hike by 75bp to 0.50%, and the BOE who will likely hike by 50bp to 2.25%. Finally, on Friday we will see Services and Manufacturing PMI results from across Europe and the US, as well as a speech from Jerome Powell. Italian parliamentary elections will also take place on Sunday.

US IPO Activity

The stock market drawdown seen so far this year has caused the longest drought in US tech listings in over two decades, with experts cautious about the pace of revival even after tentative signs of life in other sectors. Today marks 236 days without a tech IPO worth more than \$50m, exceeding the previous record set after the global financial crisis in 08/09.

Including all sectors, US IPO volumes are down 94% year-over-year, with only \$7 billion having been raised so far in 2022. This compares with the \$110b raised at this point in 2021.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,873	-0.72%	-18.73%
DAX	12,741	-1.66%	-19.79%
EuroStoxx	3,500	-1.17%	-18.57%
ISEQ	6,781	-2.20%	-19.70%
FTSE	7,236	-0.62%	-2.00%
Nikkei 225	27,567	(Closed)	-4.25%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0015	0.16%	-12.20%
EUR/GBP	0.8773	0.61%	4.23%
GBP/USD	1.1412	-0.44%	-15.74%
USD/CHF	0.9646	0.32%	6.12%
USD/JPY	142.91	-0.43%	24.54%
EUR/JPY	143.13	-0.26%	9.33%

Fixed Income	Value	Daily Change
US 10yr	3.455	0.006
US 2yr	3.871	0.009
German 10yr	1.765	0.024
Irish 10yr	2.326	-0.036
UK 10yr	3.157	-0.007
Japanese 10yr	0.250	(Closed)