

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Equities: European indices are slightly weaker on Wednesday morning after another day in the red yesterday, the EuroStoxx50 is now in its seventh consecutive day of negative trade while the S&P 500 yesterday saw its lowest price since mid-July. Sentiment has been hurt somewhat by Vladimir Putin's comments today, albeit only causing small moves lower for equities, as traders sit on the fence and await the Federal Reserve's rate decision this evening.

Looking beyond the Fed, we may see further volatility in either direction tomorrow, especially for regional markets as the Bank of Japan, Bank of England, and Swiss National Bank all report.

VIX is at \$27.35 at the time of writing.

Commodities: Global oil prices are moving higher on Wednesday on the back of some supply concerns, Brent Crude is currently 2.6% stronger to \$93 and WTI Crude up 2.7% to \$86.25. The US has said that it does not expect a breakthrough on reviving the 2015 Iran nuclear deal at this week's UN General Assembly. OPEC+ is also now falling short of its production targets by a record 3.58m barrels per day (equates to about 3.5% of global demand).

Wednesday, 21st of September

Fixed income: Real yields in the US have returned to their highest levels since 2011, further eroding the appeal of stocks at present. The yield on the US 10yr inflation-protected security hit 1.2% yesterday, up from about -1.0% in January, as traders ramp up their bets that the Fed will keep rates elevated for years to come as they attempt to tackle inflation.

Looking ahead: Most of the market is looking for a 75bp move from the Federal Reserve when they release later today, with some bracing for a potential 100bp.

We remain in the 75bp camp, and believe that while substantial rate hikes are overdue in the US, the Fed knows there are still aspects of this inflation that it cannot influence with tight monetary policy - such as food price spikes, wars, energy supply from different parts of the globe, and supply-chain issues and staff shortages that have persisted in many other industries since the pandemic.

The main statement will come out at 7pm Dublin/London time, with immediate moves to be expected across all major asset classes. Fed Chairman's 7:30pm press conference will also be closely watched by investors on all time frames.

Key Events to Watch

21/09/2022 - Fed Rate Decision

22/09/2022 - BOJ, SNB, BOE Rate Decisions

22/09/2022 - Eurozone Consumer Confidence

23/09/2022 - European & US PMIs

Financial News Round Up

Russia - Ukraine

Sadly, the fighting continues in Ukraine as we approach the eight month of the war, with no sight of a near-term solution existing at present. We strive to objectively report on any significant developments as they happen, and analyze the potential outcomes for financial markets.

This week Vladimir Putin has announced "partial mobilisation" ahead of what will likely be heavily-controlled election votes to join Russia, in four of Ukraine's occupied regions (Donetsk, Luhansk, Kherson, and Zaporizhzhia). A partial mobilisation could potentially mean several different things to different people. One understanding that we have seen in the financial media is that Russian businesses and citizens may simply have to contribute more to the war effort. This fits in with Putin's narrative: the president, in what was a rare television address this morning, stated that Russia's armed forces would call up its reserves immediately to support the invasion.

The results of the so-called 'referendums' are basically a foregone conclusion in our view, with Moscow in charge of the voting and continuing to insist that that more than 90% of the local population wants to join Russia. A number of countries in the West have already stated that they will not recognise the results of these votes as legitimate.

Uniper

Germany has officially agreed to nationalise the Dusseldorf-based energy firm Uniper, after buying Fortum Oyj's (Finnish state-owned energy firm) stake in the gas importer. The deal includes a capital increase of €8 billion for an issue price of €1.70 per share excluding the shareholders' subscription rights. After the capital increase and share purchases are completed, the German government will hold roughly 99% of Uniper.

The package "creates a clear ownership structure in order to secure Uniper, and thus the energy supply for companies, municipal utilities and consumers" the government said in its statement.

Uniper has been thrown into financial disarray this year, as Russia cut back on gas supplies and eventually shut off the Nord Stream 1 pipeline, triggering a rescue package with Berlin which was agreed over the summer.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,855	-1.13%	-19.10%
DAX	12,670	-1.03%	-20.23%
EuroStoxx	3,467	-0.93%	-19.34%
ISEQ	6,726	-1.61%	-20.35%
FTSE	7,192	-0.61%	-2.60%
Nikkei 225	27,326	-1.31%	-5.09%

FX	Value	Daily Change	YTD Change
EUR/USD	0.9970	-0.52%	-12.61%
EUR/GBP	0.8758	-0.06%	4.02%
GBP/USD	1.1379	-0.44%	-15.97%
USD/CHF	0.9641	-0.02%	5.65%
USD/JPY	143.72	0.36%	24.83%
EUR/JPY	143.28	-0.15%	9.11%

Fixed Income	Value	Daily Change
US 10yr	3.569	0.075
US 2yr	3.971	0.025
German 10yr	1.928	0.137
Irish 10yr	2.502	0.131
UK 10yr	3.313	0.160
Japanese 10yr	0.250	0.000