Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Thursday, 8th of December

Equities: The EuroStoxx50 index is attempting to undo some of yesterday's losses (-0.5%) on Thursday morning, trading marginally higher so far. Other major indices across Europe are mixed but quiet this morning, with London's FTSE100 trading flat.

Concerns are definitely beginning to build around slowing growth and the potential severity of any recessions in the Eurozone, UK, or US. Morgan Stanley are the latest investment bank this week to point to downside risks for the global economy - and given the nature of the slowdown, "the distinction between a recession and not is going to be a little murky". However, equity markets are forward-looking and any pullback in price may well be short-lived as investors begin to look forward to potential rate cuts in the second half of 2023.

Currencies: EUR/USD has been steady so far this week around 1.05, close to levels not seen in five months. The FX pair has benefitted from a general dollar weakness amid hopes that the Fed will slow the pace of rate hikes. This has also helped push GBP/USD (cable) to a high point this week of 1.23. Traders are also more confident now that the UK is getting its spending and borrowing fiscal plans aligned with reality.

Bonds: Government yields across the board fell on Wednesday, with the 'risk-free' US 10yr dropping by 11 basis points to a nominal yield of around 3.4%, before rebounding slightly this morning.

The gulf between short and long-term US borrowing costs is now at its widest point since the early 1980s, in what is a clear sign that the market believes the Fed will stay the course in its battle against inflation, even as recession fears build. Investors also believe that the central bank's increases in short-term rates will be successful in slowing inflation. The level of yield curve inversion then reflects both the dramatic pace of rate hikes in the US, and the fact that the Fed has stuck with that pace even as investors have shifted lower their expectations on inflation and growth.

Commodities: Oil markets have been hit relatively hard lately - as Brent Crude trades down by 9.5% this week so far, and WTI Crude is down by almost 10% (both at their lowest point in almost a year).

Lower reported US inventories yesterday failed to push prices higher, and the main driver of this sell-off has been the growing fears of a recession in the United States. These concerns have outweighed the announcements from China this week of its re-opening, which should support oil demand and prices.

Key Events to Watch

07/12/2022 - BOC Rate Decision
08/12/2022 - ECB's Lagarde speaks
09/12/2022 - US PPI
09/12/2022 - US Consumer Sentiment

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,933	-0.19%	-17.46%
DAX	14,261	-0.57%	-10.22%
EuroStoxx	3,920	-0.46%	-8.78%
ISEQ	7,200	-0.27%	-14.73%
FTSE	7,489	-0.43%	1.42%
Nikkei 225	27,562	-0.45%	-4.23%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0505	0.34%	-7.54%
EUR/GBP	0.8609	-0.17%	2.57%
GBP/USD	1.2199	0.51%	-9.83%
USD/CHF	0.9406	-0.11%	3.15%
USD/JPY	136.60	-0.33%	18.92%
EUR/JPY	143.50	0.01%	9.98%

Fixed Income	Value	Daily Change
US 10yr	3.421	-0.110
US 2yr	4.264	-0.102
German 10yr	1.761	-0.035
Irish 10yr	2.213	-0.054
UK 10yr	3.046	-0.035
Japanese 10yr	0.246	-0.001

Financial News Round Up

US-UK LNG Deal

The US and UK last night agreed a deal to maintain high levels of liquefied natural gas (LNG) between the two nations as part of a new "energy partnership" that aims to reduce reliance on Russia. The new plan will double the amount of gas the US exports to the UK, when compared with 2021 pre-war levels. It is important to note that neither country actually has a state-owned energy firm so flows are dictated by market forces, however the two countries have stated they will work together to ensure "the market conditions for long-term security of supply".

Similar to the rest of the continent, the United Kingdom has clearly been hit with surging gas prices this year, but it is less dependent on Russia than the EU and its LNG terminals have been used to send additional gas to the rest of Europe in recent months. Yesterday's agreement comes nine months after Joe Biden and European Commission president von der Leyen announced a plan for the US to ship more LNG to the EU this year.

Biden and UK PM Rishi Sunak in their joint statement also emphasised their commitment to the "importance of energy efficiency in bolstering energy security and affordability" while highlighting the "longer-term objective of supporting a stable energy transition to achieving net zero emissions by 2050".

Irish Wage Growth

Wage growth across the country slowed from a peak of 5.2% in July and August of this year to 4.6% last month, according to the Indeed Wage Tracker. Wage rates across six Eurozone nations (including Ireland) tracked by the index fell from an annual 5.2% in October to 5.1% - this represented the first decline recorded in the data in over a year and a half. The report's authors noted that it is still "too early to say with certainty whether we are at a turning point" with regard to wage growth. On a positive note, they also pointed to the fact that the slowing rate of wage rises means the risk of a 'wage-price spiral', where wages chase inflation causing it to go even higher, is limited.

Ryanair

Michael O'Leary will remain chief executive of Ryanair until 2028, it was announced yesterday. O'Leary reportedly agree to a four-year extension to his contract, which was due to end in July 2024. This also means the final vesting date for 10 of O'Leary's share options will be extended to 2028. However, in order for this to happen, the CEO must deliver on a series of enhanced performance targets.