

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Thursday, 5th of January

Equities: European markets have pulled back slightly on Thursday morning, after yesterday's strong gains across much of the region. Markets have taken some encouragement from the softer German and French inflation figures seen over the past couple of days. Hopes are now building for a turn downwards in the December Eurozone Core CPI print tomorrow, which remained at its peak of 5.0% in November.

US indices were between 0.4% and 0.75% stronger yesterday after the Fed meeting minutes were released, while the VIX fell to below \$22. The minutes were largely consistent with Powell's hawkish-leaning press conference last month.

Currencies: EUR/USD is a quarter of a percent higher to 1.062 on Thursday, albeit still down slightly on the week so far. The greenback is supported by the generally hawkish set of Fed minutes, although we did not get any additional information on the direction of Fed policy. Tomorrow's US jobs and European inflation data will have an impact on the EUR/USD pair, likely causing some short-term volatility.

Fixed income: Longer-term bond yields on both sides of the Atlantic have edged lower this week, with the US 10yr down to 3.71% and the German 10yr to 2.30%. Speculation around a US recession later in the year and the possibility of a Fed pivot has likely offered support for these bonds. Meanwhile, the policy-sensitive 2yr Treasury yield remained around 4.39% after the minutes release.

Looking ahead: Later this morning we are due to get Italian CPI inflation for December, expected at 11.6% y/y vs the prior 11.8%. This comes after German and French CPIs both came in below expectations earlier this week. The full Eurozone result is due to come out at 10am tomorrow morning and is estimated at 9.6% y/y, down from November's 10.1%.

Early this afternoon we will get the 'ADP Employment Change' figure from the United States, which can often be a good predictor for the region's Non-Farm Payrolls (NFP) result. The US NFP will come out tomorrow at 1:30pm Irish time, and is expected to show that the country added 200k jobs last month, versus the prior 263k. The Unemployment Rate is expected to be at 3.7% and in line with November's reading.

Key Events to Watch

06/01/2023 - Eurozone CPI

06/01/2023 - US Non-Farm Payrolls

06/01/2023 - US Services PMI

12/01/2023 - US CPI

Financial News Round Up

Fed Minutes

Last night the minutes from the Federal Reserve's December meeting were released, indicating that no policymakers at the US central bank currently think it would be appropriate to begin cutting rates in 2023. Officials also warned that the early easing of financial conditions could complicate the Fed's efforts to tackle inflation. Fed members welcomed the easing October and November inflation data, but also stressed it would take substantially more evidence of progress to be confident that inflation is coming down in a sustained manner.

It was reiterated in this set of minutes that the Fed would need to maintain a "restrictive policy stance" for now. Officials also spoke about the very strong job market. Several participants said the Fed's median projection for rates to peak at 5.1%, above market expectations, underscored the central bank's commitment to bring inflation down. Unsurprisingly, the minutes stated that the Fed will base future rate hike decisions on data as it comes in, and will make decisions meeting by meeting.

Glenveagh Properties

Irish house builder Glenveagh Properties has reported strong revenue growth of 36% for 2022, driven by its suburban business segment. The headline revenue figure came in at €649m, up from the previous €477m. Operating profits were up from €50.6m to €70m, while EPS rose from 4.5 cent to 7.6 cent. Glenveagh sold 1,354 suburban units over the period, which was up 50% on 2021 and 90% on 2019 levels.

The firm did state that materials and labour-based inflation remained elevated throughout 2022, while consumer price inflation was around 8-9%. "We continue to work in close collaboration with our supply chain partners to secure sustainable, competitive pricing, while maintaining the security of supply" they said. "In addition, we have further developed our own supply chain capabilities to give us greater control over input costs and mitigate the effects of the inflationary environment".

Irish Services

The AIB S&P Global Purchasing Managers' Index (PMI) for the services sector rose to 52.7 last month, up from 50.8 in November and above the 50.0 expansionary-contractionary border. This signals a slightly faster rate of expansion in the sector, and is remarkably the 22nd consecutive month of expansion. This also comes in against the UK's figure of 50.0 and the Eurozone's 49.8, which are both pointing to stagnation. Orders and employment both reportedly picked up in Ireland last month.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,852	0.75%	0.35%
DAX	14,490	2.18%	4.07%
EuroStoxx	3,973	2.36%	4.75%
ISEQ	7,476	2.50%	5.17%
FTSE	7,585	0.41%	1.79%
Nikkei 225	25,820	0.40%	-1.05%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0599	0.50%	-0.91%
EUR/GBP	0.8791	-0.28%	-0.26%
GBP/USD	1.2053	0.73%	-0.61%
USD/CHF	0.9294	-0.68%	0.55%
USD/JPY	132.62	1.24%	1.02%
EUR/JPY	140.57	1.71%	0.11%

Fixed Income	Value	Daily Change
US 10yr	3.690	-0.062
US 2yr	4.355	-0.025
German 10yr	2.282	-0.094
Irish 10yr	2.787	-0.119
UK 10yr	3.493	-0.160
Japanese 10yr	0.423	-0.029