



## Markets Outlook

## Thursday, 12th of January

**Equities:** Europe is continuing on from yesterday's positive sentiment, the benchmark equity indices are currently about 0.60% higher on Thursday morning, and are mostly trading at multi-month highs. Stronger corporate earnings from Europe's retail sector this morning are helping boost stock prices, while the prospect of stronger Chinese demand and fully-functioning supply chains from the region are also helping. Risk assets have benefited over the past week from growing hopes for less aggressive central banks in February.

The stock market rally seen YTD may well be put to the test later on Thursday when investors face a highly-anticipated US CPI reading which will likely help determine the size of the Fed's next rate hike on February 1st.

**Commodities:** Copper and iron ore (key ingredient in steelmaking) have rallied over the past week as China reopens its vast economy. China is the largest consumer of commodities on the planet - and its reopening has triggered a jump in a range of metals exposed to its property sector such as copper, steel, and aluminium.

**Currencies:** The dollar is remaining fairly quiet ahead of today's inflation data. EUR/USD is marginally stronger to 1.077, with moves as far as 1.065 or 1.085 possible this afternoon should CPI results surprise markets.

**Economic data:** The key data release today will be the United States' inflation figures, due out at 1:30pm Irish time. The main CPI result is expected at 6.5% y/y (lowest since Oct 2021), down from the prior 7.1%, while the Core CPI figure (which strips out the volatile food and energy price changes) is estimated to come in at 5.7% y/y vs the prior month's 6.0%. The Core reading saw a double-peak of around 6.5-6.6%, in March and September of last year.

In terms of month-over-month results for today's CPIs, the headline figure is forecast at a deflationary -0.1%, and would be below the 0% mark for the first time since May 2020. Core CPI is forecast at 0.3% m/m.

After two lower-than-expected CPI readings for the US, which have given the market hope that inflation will melt away quickly, this December result will be important in terms of keeping alive investors' hopes for falling inflation. Biden is due to speak shortly after the release, and will likely comment on it.

## Key Events to Watch

- 12/01/2023 - US CPI
- 12/01/2023 - US President Biden speaks
- 13/01/2023 - UK GDP
- 13/01/2023 - US Consumer Sentiment

## Financial News Round Up

### Irish Tourism & Hospitality

A report produced for the tourism and hospitality industry in Ireland has warned that up to 24,000 jobs could potentially be lost if its reduced 9% VAT rate is brought back up to 13.5% at the end of next month as planned. The rate was discounted in November of 2020 in order to boost activity in the sector during what was clearly a very difficult time, and has remained at 9% ever since. Economist Jim Power estimates that if the VAT rate does indeed return to its prior level, as many as 10% of the jobs in the sector could be at risk with the extra cost further undermining its competitiveness. He alluded to the fact that the tourism and hospitality sector is already facing competition issues due to higher energy and other costs, as well as labour shortages. "The bottom line is that the risk of a downturn in international travel caused by a marked deterioration in the global economy is very real and could have serious implications for Ireland's tourism industry", said Power. "The VAT increase at this time would threaten the viability of businesses still struggling to recover from the impact of Covid-19. Many more businesses could be forced to shut down and thousands of jobs could be lost."

### TSMC

The Taiwan Semiconductor Manufacturing Company issued stronger than expected Q4 profits on Thursday, helped by steady demand for chips and a more favourable exchange rate, even as its revenue was below forecasts. TSMC's diluted EPS came in at 11.41 Taiwan dollars (\$1.82) for the three-month period, up from the 6.41 Taiwan dollars seen one year before. Net profit margin rose from 37.9% to 47.3%.

The shares are trading 1.9% higher in pre-market trade in New York, due to open around \$88.32 later today.

### Chinese Property

According to the Financial Times overnight, Beijing is now easing constraints on developer credit and is even rolling out potential loans following the severe downturn that saw housing and land sales collapse in the region. Chinese authorities have drastically changed their approach to the struggling property sector over the past few months, as they seek to limit contagion and support dwindling growth. Beijing had previously introduced a deleveraging policy in the summer of 2020, as they anticipated and tried to prevent a housing bubble from occurring in the wake of Covid-related rate cuts.

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,969	1.28%	3.39%
DAX	14,947	1.17%	7.36%
EuroStoxx	4,099	1.04%	8.07%
ISEQ	7,707	-0.10%	8.42%
FTSE	7,724	0.40%	3.67%
Nikkei 225	26,449	0.01%	1.36%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0755	0.20%	0.54%
EUR/GBP	0.8855	0.31%	0.21%
GBP/USD	1.2142	-0.11%	0.36%
USD/CHF	0.9309	0.93%	0.98%
USD/JPY	132.47	0.17%	0.54%
EUR/JPY	142.47	0.36%	1.10%

Fixed Income	Value	Daily Change
US 10yr	3.543	-0.072
US 2yr	4.220	-0.027
German 10yr	2.184	-0.117
Irish 10yr	2.603	-0.176
UK 10yr	3.410	-0.153
Japanese 10yr	0.502	0.000