

# Daily Update

Your daily market news, moves  
and outlook



## SEASPRAY FINANCIAL

Wealth & Investment Management

## Markets Outlook

## Wednesday, 18th of January

**Equities:** European stock markets are flat to slightly higher at the time of writing, following a mostly positive session across Asia overnight. Japanese equities rallied sharply, with the Nikkei225 up 2.5% in the wake of the BOJ meeting (covered below).

The UK's FTSE100 index is 0.15% higher after the region's mixed inflation data today, and is trading at a four and a half year high of c. £7,865.

This month's Bank of America 'Global Fund Manager Survey' shows that funds have cut allocations to US stocks to their lowest levels in 17 years, as they hunt for opportunities in Europe and Emerging Markets. Managers have flipped their allocation to European equities from net 10% underweight last month to 4% overweight in January. An 'overweight' description is used in this context when these funds allocate a larger share to a region than its weighting in their respective benchmark index.

Looking at volatility this morning - the US' VIX index is steady at \$19.33, while Europe's VSTOXX is lower to €17.95.

**Currencies:** USD continues to grind lower on Wednesday morning, with the dollar index now trading down to 101.67 and flirting with fresh 7-month lows on the back of generally more positive sentiment in risk assets. GBP/USD is over half a percent higher on Wednesday, likely gaining ground as a result of the region's stronger than expected Core CPI.

**Looking ahead:** The United States' Producer Price Index (PPI) will likely impact markets in the region this afternoon. This producer inflation reading will be released at 1:30pm, and is expected to show a continued move lower in prices during the month of December. The headline figure is forecast to come in at 6.8% y/y, its lowest since May 2021 and down from November's 7.4%. Headline PPI is also expected at a deflationary -0.1% in terms of the m/m result. The Core PPI (stripping out volatile energy and food price changes) is estimated to have fallen for the ninth consecutive month to 5.7% y/y.

Before market open in the US today we will hear from Charles Schwab, Prologis, and PNC Financial. These will be followed on Thursday by Procter & Gamble, Netflix, Truist Financial and Northern Trust.

## Key Events to Watch

18/01/2023 - US PPI

19 & 20/01/2023 - ECB's Lagarde speaks

25/01/2023 - European & US PMIs

26/01/2023 - US GDP

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,990	-0.20%	3.95%
DAX	15,187	0.35%	9.07%
EuroStoxx	4,174	0.42%	10.04%
ISEQ	7,835	0.12%	10.22%
FTSE	7,851	-0.12%	5.36%
Nikkei 225	26,791	2.50%	2.67%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0788	-0.26%	0.89%
EUR/GBP	0.8776	-1.05%	-0.84%
GBP/USD	1.2288	0.80%	1.78%
USD/CHF	0.9219	-0.50%	-0.28%
USD/JPY	128.13	-0.32%	-0.21%
EUR/JPY	138.23	-0.58%	0.68%

Fixed Income	Value	Daily Change
US 10yr	3.549	0.020
US 2yr	4.204	-0.036
German 10yr	2.079	-0.116
Irish 10yr	2.481	-0.121
UK 10yr	3.360	-0.024
Japanese 10yr	0.405	-0.101

## Financial News Round Up

### Inflation

Irish and UK CPI inflation numbers were released earlier on Wednesday morning, with the main figures heading in the right direction once again for December. The headline Irish figure came in at 8.2% y/y, down from the prior 8.9% but still ahead of the 2022 average of 7.8%. On a month-over-month basis, prices were 0.2% lower last month, driven mostly by a fall in price for fuels. However, food prices increased, and were up 12% y/y. There was little m/m change in the cost of gas and electricity, however electricity is still 63% higher when compared with the same month in 2021 and gas was up 92%. Mortgage interest of course continued to rise - up by 1.3% m/m and 22% y/y.

Turning to the United Kingdom, the region saw a headline figure of 10.5% y/y for December, in line with forecasts and down marginally from the previous 10.7% reading. In terms of core inflation, the UK registered a result of 6.3% y/y ahead of 6.2% expectations and in line with the previous month. The Bank of England issued a forecast two months ago that said inflation in the UK would fall to around 5% by the end of 2023 as energy prices stabilised, but policymakers still warned of ongoing upward pressure on prices from a tight job market and other factors.

### Bank of Japan

The Bank of Japan has surprised many investors and opted to leave its yield curve control measures unchanged this morning. This has placed some downward pressure on the yen and Japanese sovereign bond yields, while helping to boost stocks in the region.

The BOJ's unexpected decision last month to allow a wider target range for 10yr government debt (allowing yields to reach as high as 0.5%) had caused speculation to build that the central bank would implement some hawkishness in January. In light of this, today's decision to maintain yield curve control has been taken as particularly dovish by market participants.

### US Banks

Yesterday we heard Q4 results from Goldman Sachs and Morgan Stanley, who both saw their investment banking fees drop by close to 50% amid a significant slowdown in terms of M&A and IPOs.

At Morgan Stanley, record wealth management revenues helped to offset this decline, allowing the firm to post Q4 net earnings of \$2.2b, beating analysts' expectations. Goldman on the other hand fell short of forecasts with \$1.3b in what CEO David Solomon described as a "disappointing" performance.

The stock performance yesterday afternoon says it all - Morgan Stanley managed to gain 5.9% to close at \$97.08 while Goldman lost 6.4% to \$349.92.