



## Markets Outlook

## Tuesday, 24th of January

**Equities:** Eurozone equities have been mixed and quiet on Tuesday morning, after a stronger session on Wall Street and then in Asia overnight. It is worth noting that Christine Lagarde yesterday stated the ECB will do everything necessary to return inflation to their target, pointing to more "significant" rate hikes at coming meetings.

UK markets are up to half a percent weaker today after fairly lacklustre PMI results from the region. In the US, the Federal Reserve have been in a pre-meeting blackout period and will continue with this until after their release next Wednesday. Earnings will be the other main focus over the next week or so, especially with Microsoft tonight and other tech giants in the middle of next week. The VIX is currently trading at \$20.00, and has remained subdued now for a couple of months below the \$26 mark.

**Currencies:** FX markets were quiet again yesterday, with the exception of the Japanese yen which lost ground against other major currencies. This yen pullback comes after weeks of significant strength for the currency. Analysts now believe a hawkish shift by the BOJ will come sooner rather than later as policymakers in Japan make tweaks to their yield curve control mechanism.

**Fixed income:** Sovereign bond yields were mostly higher on Monday, the German 10yr reaching 2.21% after hawkish comments from Lagarde. Corporate bond spreads have remained fairly quiet recently, having tightened in November and December amid a general risk-on move for stock markets. Treasury investors patiently await the Fed release next week.

**Looking ahead:** European PMI results from earlier today were mixed, with the Euro area seeing still negative Manufacturing but a bounce in Services to expansionary territory. The UK saw both results still in contractionary territory. We will also hear from the US after lunch in terms of its own PMIs. Before market open in New York this afternoon there will be a list of corporate releases - from Johnson & Johnson, Verizon, Danaher Corp, GE, 3M, Raytheon Technologies, and many more. Microsoft will report after market close tonight, and may dominate newspaper headlines on Wednesday morning.

Tomorrow will see a few smaller data points come out - namely the Australian CPI inflation, German Business Climate figures, and a Bank of Canada monetary policy and rate statement. A busy week for Q4 results will continue, with Tesla, ASML, AT&T, Abbot Laboratories, Boeing, IBM, EasyJet, Tullow Oil, and Quilter.

## Key Events to Watch

24/01/2023 - ECB's Lagarde speaks  
24/01/2023 - US PMIs  
26/01/2023 - US GDP  
27/01/2023 - US Core PCE

## Financial News Round Up

### AB Foods

Associated British Foods plc has this morning reported a 15% increase in sales at its Primark (Penneys) clothing business over the 16 weeks to January 7th, benefiting from "very strong" trading during the Christmas period. The firm said that consumer spending in the quarter had been more buoyant than was previously feared at the start of its financial year.

The London-headquartered multinational food processing and retailing firm saw total revenue come in at £6.7 billion, up 16% with constant-currencies. The company also maintained its guidance for substantial growth in sales in its full 2022-23 fiscal year but with adjusted operating profit lower than the 2021-22 result of £1.44 billion. Expectedly, the group said it has continued to experience significant cost pressures but inflation had become less volatile and recently some commodity costs had declined.

"To date, Primark trading has been good in all our markets and was ahead of expectation.... Early trading in this new calendar year has been encouraging but macro-economic headwinds remain and may weigh on consumer spending in the months ahead" it said in a statement.

The stock has been in a downtrend now since late-2015, albeit with a 50% bounce from its October 2022 lows, now trading up to around £18.50. AB Foods is now at fair value in terms of trailing valuation metrics, and is looking relatively cheap compared to competitors for the year ahead at a forward P/E of under 16x.

### Logitech

Logitech confirmed last night that its fiscal Q3 sales dropped by 22% y/y, after preliminary results had already showed a slowdown in activity from business customers. The three-month period (ending in December) saw sales fall to \$1.27b, while non-GAAP (different accounting rules) operating income fell 32% to \$204m from the \$302m seen one year prior. It had previously reported operating income in the range of \$198 - \$203m.

The keyboard, webcam, and mouse-maker cited supply issues from its factories in China, as the country rolled in and out of lockdown measures during this time. The shares in the US are marginally higher in after-hours trade following the release, and are due to open around \$57.50 later today which will leave them down 7.5% YTD and down 22.8% over the past 12 months. In terms of valuations, Logitech are currently looking at a 12-month forward price-to-earnings of 18.9x and a trailing P/E of 18.2x, coming in ahead of their direct peer average of just 11.1x and below their own 10-year average of 21x.

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,019	1.19%	4.70%
DAX	15,102	0.46%	8.47%
EuroStoxx	4,150	0.75%	9.42%
ISEQ	7,849	0.44%	10.42%
FTSE	7,784	0.18%	4.47%
Nikkei 225	27,299	1.46%	4.62%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0868	0.04%	1.77%
EUR/GBP	0.8779	0.26%	-0.70%
GBP/USD	1.2373	-0.27%	2.52%
USD/CHF	0.9217	0.18%	-0.43%
USD/JPY	130.66	0.98%	-0.88%
EUR/JPY	142.00	1.01%	0.86%

Fixed Income	Value	Daily Change
US 10yr	3.521	0.035
US 2yr	4.231	0.051
German 10yr	2.200	0.028
Irish 10yr	2.622	0.036
UK 10yr	3.358	-0.013
Japanese 10yr	0.402	0.020