Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Thursday, 16th of March

Equities: European stock markets have moved up on this morning's open, and after what was another tough trading session on Wednesday where the main indices touched their lowest prices in about 10 weeks. The EuroStoxx50 is currently around 0.50% stronger, with financials and consumer discretionary leading the move higher.

Overnight trade was mixed, with broad-based weakness across Asia (Hong Kong and Australia underperforming) but some strength seen from the US futures market.

We expect volatility to continue over the next week, with the rapidly evolving banking situation at the forefront of investors' minds at present. Also, we will be paying close attention to any change in language from the ECB today and then Federal Reserve next Wednesday.

Other potential sources of equity market volatility next week will include UK CPI, two speeches from Christine Lagarde, March PMIs from both sides of the Atlantic, and rate decisions from the Swiss National Bank and Bank of England. The VIX (S&P 500's volatility index) has traded back above $27 today, having previously spiked this week to $30.80.

Fixed income: Bond markets continue to see significant levels of volatility, with the MOVE index reaching $198 on Wednesday. Yield curves have steepened sharply this week, as short-term yields fall sharply on new monetary policy expectations. US 2yr now at 4.0%, and German 2yr at 2.6%.

Looking ahead: The European Central Bank release at 1:15pm will of course be the highlight of the day for financial markets, and will be followed by ECB President Lagarde's usual press conference at 1:45pm. In a nutshell, the central bank is widely expected to hike interest rates by half a percent today and bring the region's Deposit Rate to 3.00% and Main Refinancing Rate to 3.50%.

Over recent days however, we have seen some market commentators call the planned 50bp move into question, after the banking turmoil that began with certain regional US banks but has since landed much closer to home - more on Credit Suisse below.

Tomorrow morning some revisions may be made to the February Eurozone CPI figures, after the recent preliminary result showed 8.5% y/y headline inflation and 5.6% y/y core inflation. On Friday afternoon the US will release a Consumer Sentiment reading - expected to remain stagnant.

Key Events to Watch

16/03/2023 - ECB Rate Decision
17/03/2022 - US Consumer Sentiment
22/03/2023 - Fed Rate Decision
23/03/2023 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,891	-0.73%	1.37%
DAX	14,735	-3.27%	5.83%
EuroStoxx	4,034	-3.46%	6.36%
ISEQ	7,987	-3.67%	12.36%
FTSE	7,344	-3.83%	-1.44%
Nikkei 225	27,010	-0.80%	3.51%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0575	-1.46%	-0.85%
EUR/GBP	0.8762	-0.73%	-0.68%
GBP/USD	1.2065	-0.76%	-0.24%
USD/CHF	0.9330	2.08%	0.39%
USD/JPY	133.40	-0.61%	1.37%
EUR/JPY	141.07	-2.06%	0.51%

Fixed Income	Value	Daily Change
US 10yr	3.462	-0.223
US 2yr	3.892	-0.354
German 10yr	2.114	-0.342
Irish 10yr	2.695	-0.189
UK 10yr	3.342	-0.131
Japanese 10yr	0.294	0.056

Financial News Round Up

Credit Suisse

Switzerland's third-largest bank (measured by market cap at last night's closing bell, $9.67b) is seeing its shares jump by over 20% on Thursday morning, after what has been a very volatile week for the bank and indeed the industry as a whole.

This story is changing almost by the hour, but news has emerged that Switzerland's central bank, the SNB, will provide a liquidity backstop for the struggling Credit Suisse. This means that the bank will be able to borrow up to 50 billion Swiss francs (roughly $54b equivalent) and then purchase back about 3b francs worth of its debt in an attempt to boost liquidity and calm its investors. The bank plans to make a cash tender offer for USD-denominated senior debt securities worth up to $2.5b and similar euro-denominated securities worth around €500m.

This move is the latest by Credit Suisse to regain market confidence after the numerous scandals and setbacks it has experienced over recent years. But we do note that Swiss authorities yesterday stated the bank met "the capital and liquidity requirements imposed on systemically important banks", easing concerns somewhat.

Yesterday's sharp sell-off for the bank came as a major shareholder, Saudi National Bank, said it will not be making any further investment during this time of significant turmoil for the sector. This drove the stock down by 24% on the day and briefly to its lowest ever level of 1.55 francs. This news added to what had already been a rough week for the firm - on Tuesday we saw its auditor, PwC, identifying "material weaknesses" in its financial reporting controls, which led to the delay of the publication of its annual report.

We see it as very unlikely that Swiss authorities will allow the banking giant Credit Suisse to fail. The bank holds significant importance within the nation's economy, and helps to underpin Zurich's status as a global financial centre. In our view, the Swiss government likely stands ready to step in and guarantee deposits at the bank, should this situation worsen further. We note that we have not yet heard the ECB make any comments on Credit Suisse this week.

Deliveroo

London-listed online food company Deliveroo's shares are roughly 2.7% weaker at the time of writing on Thursday morning, after the firm updated its earnings forecasts for the year ahead.

Deliveroo said it now expects to make up to £50m in core earnings this year, after it accomplished a better than expected positive margin in H2 of last year. The company reported an adjusted core loss of £70.5m for 2022, in line with what analysts had been forecasting for. CEO Will Shu said Deliveroo had made "a lot of progress on its path to profitability", despite a challenging consumer environment.