

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Thursday, 11th of May

Equities: Eurozone stock markets are around half a percent higher as we write on Thursday. Consumer discretionary, consumer staples, and financials are leading the rally on the continent. UK assets are very quiet this morning as traders look ahead to the Bank of England release in a couple of hours.

The tech sector gained some small ground on Wednesday in the United States, boosted by the region's slightly weaker-than-expected inflation reading. The Nasdaq index added 1% while the benchmark S&P 500 was up by 0.45% - futures this morning indicate both indices will open higher on Thursday afternoon.

Rates: The US 2yr yield fell yesterday (now at 3.93%) after the CPI release. Markets are currently pricing in a 91% chance that the Federal Reserve will hold steady next month, and that they will then look to cut rates from either July or September onwards. While there may be some unforeseen events that force the central bank to ease policy, we believe investors could well be disappointed by their current rate cut expectations. The Fed are prioritising disinflation and will be hesitant to reduce rates too soon, like they did in the early 70s and again in the mid 70s - causing inflation to pick back up rapidly.

Economic data: Yesterday's US CPI numbers indicated that inflation in the country dipped marginally last month, as the headline rate came in just slightly lower than expected at 4.9% y/y. This is its lowest point since April 2021, and is down from the prior month's 5.0% reading. When we remove volatile items such as food and energy costs, we can see that the core CPI result was in-line with expectations at 5.5% y/y, from March's 5.6%.

Encouragingly, this headline rate has fallen from June 2022's 9.9% high, but it's important to remember it is still more than double the Federal Reserve's 2% target rate and will continue to be a risk to markets for the rest of this year.

Food prices grew at a slower rate (7.7% vs the previous 8.5%), while energy costs were still deflationary (-5.1% vs -6.4%). Shelter costs, which account for over 30% of the total CPI basket, slowed for the first time in two years (8.1% vs 8.2%). In the context of US inflation - early this afternoon the Producer Price Index (PPI) will also be released. The headline and core rates are both forecast to fall, to 2.4% and 3.3% respectively.

The Bank of England are set to report at midday today, with most of the market looking for the BOE to go with a 25bp hike. This would bring the official UK rate to 4.50%. The BOE will probably upgrade their growth expectations on the back of resilient employment data and additional government energy supports in Q2.

Key Events

11/05/2023 - Bank of England

11/05/2023 - US PPI

12/05/2023 - UK GDP

12/05/2023 - US Consumer Sentiment

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,137	0.45%	7.77%
DAX	15,896	-0.37%	14.17%
EuroStoxx 50	4,306	-0.38%	13.53%
ISEQ	8,536	-0.24%	20.09%
FTSE 100	7,741	-0.29%	3.89%
Nikkei 225	29,104	-0.06%	11.62%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0980	0.18%	2.36%
EUR/GBP	0.8695	0.14%	-1.76%
GBP/USD	1.2624	0.04%	4.32%
USD/CHF	0.8896	-0.08%	-3.68%
USD/JPY	134.34	-0.64%	2.36%
EUR/JPY	147.51	-0.46%	4.92%

Fixed Income	Value	Daily Change
US 10yr	3.439	-0.083
US 2yr	3.909	-0.117
German 10yr	2.293	-0.045
Irish 10yr	2.741	-0.092
UK 10yr	3.830	-0.062
Japanese 10yr	0.405	-0.001

Financial News

Disney

The Walt Disney Company reported quarterly results after the closing bell in the US last night - with revenue in line with expectations at \$21.82 billion but earnings per share coming up slightly short at \$0.93. Streaming losses narrowed as the firm continues efforts to reduce \$5.5b in costs this year.

The important 'total Disney+ subscribers' metric also disappointed investors, at 157.8 million versus the 163.1m expected, while the 'Parks, Experiences and Products' division saw stronger revenues of \$7.78b.

In terms of after-hours trade data this morning, the shares look set to open this afternoon 4.75% lower at around \$96.33. Including last night's move, the stock has gained roughly 11% YTD - versus the S&P 500's c.8% and the US movies & entertainment industry's average of 17%.

US Debt Ceiling

The contentious issue of the US debt ceiling (\$31.4 trillion) continues to grab headlines as we make our way through the month of May. The so-called 'X-date' could arrive as soon as early June to early August, according to reports. Overnight we saw the US Treasury Secretary Janet Yellen speak at a G7 meeting in Japan. Yellen warned once again about the "dreadful consequences" that would come if Congress fails to raise the federal debt limit. She also described it as "unthinkable" and pointed out that this would badly undermine the US and global economy. It is for these reasons that we believe US officials will come to an agreement, as they have done 89 times since 1959.

Yesterday, Donald Trump irresponsibly urged Republican lawmakers to let the country default on its debt unless Democrats capitulate to demands for "massive" spending cuts.

Irish House Prices

According to a report from property tech start-up Geowox, a fall in the amount of house sales during Q1 failed to slow down a steep increase in prices. The median price for a home in Ireland came in at €305,000 in January-March, pointing to an 8.9% y/y rise.

A total of 12,588 units were sold in the first three months of 2023, which is 3.6% lower than during the same period last year. This figure is also down on Q4's 16,881.