Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL
Wealth & Investment Management

Markets Outlook

Tuesday, 19th of September

Equities: European stock markets are opening in a subdued manner this morning, as investors await the start of the crucial two-day U.S. Federal Reserve policy meeting as well as the release of more inflation data from the eurozone.Investors are likely to adopt a cautious start to trading Tuesday as they await news from Washington as Federal Reserve policymakers begin discussing their response to the U.S. economic outlook.

The U.S. central bank is widely expected to keep interest rates steady at a range of 5.25% to 5.50% when the meeting concludes on Wednesday, after raising them at 11 of its past 12 meetings in a bid to cool inflation. But markets are not in full agreement whether the Fed will be done as of now or whether it will raise rates one more time this year, as inflation still remains above its 2% target.

Commodities: Oil prices rose overnight for the fourth consecutive session, as weak shale output in the United States spurred further concerns about a supply deficit. Brent Crude futures rose 46 cents, or 0.49%, to $94.89 a barrel. Prices have gained for three consecutive weeks, and are now around 10-month highs

Currencies: The U.S. dollar eased against a basket of currencies on Monday but remained near a six-month high in muted trading as traders awaited interest rate decisions this week by the Federal Reserve, Bank of England and Bank of Japan. The US dollar index, which measures the currency against six major counterparts, was down 0.1% at 105.15, not far from the six-month high of 105.43 touched on Thursday.

Economic: The eurozone's final inflation figures for August are due later today, and are expected to confirm that CPI rose 0.6% on the month, a rise of 5.3% on an annual basis. This is still substantially above the European Central Bank's 2% medium term inflation target, hence the central bank's interest rate hike last week. But core inflation, which excludes volatile energy and food prices, is seen falling to 5.3% from 5.5% annually. The ECB raised its deposit rate to a record high 4% last week but also hinted at a pause in its rate-hiking cycle as the policymakers assess the impact of the numerous interest rate increases on the region's economy. Officials will need until March to be sure that last week's rise was the last and further rate hikes cannot yet be ruled out, Slovak policymaker Peter Kazimir said on Monday.

Key Events

19/09/2023 - EU core & final CPI YoY
19/09/2023 - US housing starts
20/09/2023 - UK CPI YoY
20/09/2023 - UK PPI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,454	0.07%	15.99%
DAX	15,727	-1.05%	12.95%
EuroStoxx 50	4,246	-1.13%	11.94%
ISEQ	8,557	-1.66%	20.37%
FTSE 100	7,653	-0.76%	2.70%
Nikkei 225	33,264	-0.80%	27.48%

FX			
EUR/USD	1.0679	-0.10%	-0.21%
EUR/GBP	0.8630	-0.04%	-2.43%
GBP/USD	1.2760	-0.05%	2.32%
USD/CHF	0.8982	0.15%	-2.83%
USD/JPY	147.82	0.16%	12.76%
EUR/JPY	157.87	0.04%	12.52%

Fixed Income		
US 10yr	4.323	0.005
US 2yr	5.062	-0.002
German 10yr	2.705	-0.440
Irish 10yr	3.105	-0.013
UK 10yr	4.445	0.054
Japanese 10yr	0.707	0.003

Financial News

Central Bank forecasts

In its quarterly Bulletin issued this morning the Central Bank has lowered its forecasts for growth in the economy based on weaker exports from multinationals in Ireland, but has left its outlook for inflation broadly unchanged. Separately, the bank also said the Government's spending plans for the upcoming Budget risk adding to inflation. Its forecasts that inflation, measured by the Harmonised Index of Consumer Prices, will average at 5.4% this year, up slightly from its summer forecast. It expects inflation will decline to 3.2% next year and 2.3% in 2025. However, core inflation, which excludes energy and food, will remain at 2.7% in 2025.

It has revised its estimate for growth measured by Modified Domestic Demand, which captures activity in the domestic economy, down to 2.9% this year and 2.6% next year. Exports of goods and services, which had grown by 13.9% last year are expected to slow to growth of just 0.2% this year, before returning to growth of 2.9% next year. The bulletin points out that goods exports more than doubled in value in the decade between 2012 and 2022. Approximately 80% of the value of goods exported are accounted for by pharmaceuticals and machinery. In the report looking deeper into the data, it finds the declines are concentrated in vaccines and semiconductors. It speculates that the decline in exports of vaccines may be due to a fall off in demand following the Covid-19 pandemic, while the fall off in exports of semiconductors may be due to trade tension between the US and China. In summary the report states that the "decline in trade in the first half of 2023 is a reminder of the wider risks to the Irish economy from the concentration of exports in a small number of highly globalised, multinational-dominated sectors."

C&C

Drinks group C&C reported in a trading statement issued this morning an "encouraging" first half performance in Ireland and Scotland as sales of its branded drinks in these markets increased. The company revealed that sales were up 6pc in the six months to the end of August. C&C, which owns the Bulmers brand, now expects to deliver net revenue of around €870m for the period, down 1pc from the same time last year. Operating profit is expected to be around €29m to €31m and includes the one-off profit impact which followed as a result of a disruption to the company's new planning system upgrade in the British distribution business.