

ECB, BOE Meetings in Focus

European stock markets are expected to open in a muted fashion Thursday, with investors cautious ahead of policy setting meetings by both the European Central Bank and the Bank of England.

The European Central Bank meets later Thursday and is widely expected to keep policy unchanged. However, pressure is mounting on the institution to act given data released on Wednesday showed inflation in the Eurozone rose to 5.1% in January, the highest ever for the region, despite expectations for a sharp drop to 4.4%.

The “flash estimate of euro area inflation in January smashed all expectations to increase somewhat the probability that the ECB might raise rates as soon as this year,” analysts at Daiwa Capital Markets said in a note ahead of the central bank’s meeting.

The Bank of England has already started tightening its monetary policy, and is expected to deliver another rate hike later in the session after surprising the markets with an increase of 15 basis points in December.

“We expect the Bank of England to raise its policy rate by 25bp - the first back-to-back rate rise since 2004. We now expect three rate hikes this year, up from two previously,” said analysts at ABN Amro, in a note.

Away from the central banks, investors will also study another burst of corporate earnings.

The economic data slate in Europe will center around final purchasing manager’s index data from most of the Eurozone for January later in the session, but Eurozone producer prices for December are also due.

Oil prices eased back Thursday but remained near multi-year highs, supported by tight global supply as a group of top producers stuck to its plan for limited increases in output.

The Organization of the Petroleum Exporting Countries and allies led by Russia, a group known as OPEC+, agreed on Wednesday to add 400,000 barrels per day to its crude output, continuing the gradual increases it started in August, despite pressure from major consumers to raise output more quickly.

Offering additional support, U.S. crude stockpiles fell by 1 million barrels last week, the Energy Information Administration said on Wednesday, against expectations for an increase.

Other News:



Danske Bank on Thursday maintained its 2023 profitability target and said it expected to increase profits this year after reporting fourth quarter net profit slightly above expectations.

Denmark's biggest lender expects net profit for 2022 between 13 and 15 billion Danish crowns (\$1.97-\$2.28 billion), citing stable costs, fewer loan impairments and higher income from core activities.

"Our business continued to develop positively with total income increasing 4%, and our initiatives to become a more efficient bank resulted in costs decreasing 4%," Chief Executive Carsten Egeriis said in a statement.

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