

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Wednesday, 19th of February

Markets Outlook

Most global equity indices pulled back yesterday off their highs, on the back of an announcement from Apple, which indicated that they are set to miss their quarterly earnings targets because of Coronavirus-related supply chain disruptions in China. This news, along with some earnings misses from other large firms yesterday, spurred what seems to be only a slight pullback in the grand scheme of things in this overall equity bull run. The DAX 30 and EuroStoxx 50 indices are both up 0.4% in early morning trade today and are within touching distance of all time highs.

Bond yields were mixed, we did not register any significant moves yesterday and continue to hold our US treasuries in anticipation of new yearly yield lows.

On the FX front, the US Dollar continues to rally, albeit in a grinding fashion. EUR/USD breached the 1.08 level yesterday while USD/JPY has today broken through 110.00.

This morning we saw the UK CPI y/y reading come in at 1.8% vs our expected 1.6%, GBP is unchanged. At 19:00 Irish time we will see the minutes from the Fed's most recent monetary policy meeting in January.

Key Events to Watch

19/02/2020 - UK CPI

19/02/2020 - FOMC Meeting Minutes

20/02/2020 - UK Retail Sales

21/02/2020 - European PMIs

Market Moves

FX	Value	Daily Change	YTD Change
EUR/USD	1.0795	-0.38%	-3.61%
EUR/GBP	0.8304	-0.29%	-1.60%
GBP/USD	1.2999	-0.08%	-2.00%
USD/JPY	109.92	0.02%	1.43%
EUR/JPY	118.67	-0.33%	-2.24%

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,370	-0.29%	4.32%
DAX	13,681	-0.75%	3.66%
EuroStoxx	3,836	-0.43%	2.81%
FTSE	7,382	-0.69%	-1.26%
Nikkei 225	23,400	0.89%	-1.08%

Fixed Income	Value	Daily Change
US 10yr	1.559	-0.017
US 2yr	1.414	-0.010
Bund 10yr	-0.407	0.014
Gilt 10yr	0.614	0.006
JGB 10yr	-0.054	-0.021

Financial News Round Up

Coronavirus Update

Coronavirus death toll has reached over 2,000 people, as 75,000 infections have now been reported worldwide. The deadly virus, known now as Covid-19, has caused more than 25 Chinese companies to issue cheap corporate bonds which could be seen as an attempt to support the world's 2nd largest economy. These "virus control" bonds have raised the equivalent of \$3.4b since the beginning of February, another 20 companies plan to issue these new bonds in the next few weeks. Chinese regulators have slashed the approval process for these corporate bonds from weeks to days in an attempt to encourage the idea.

Meanwhile Apple's largest iPhone production plant, situated in Zhengzhou, is struggling to return to full production. The plant employs over 200,000 workers, and is run by contract manufacturer Foxconn who assemble many of Apple's devices in China.

Mortgages in Ireland

KBC have released new mortgage offerings into the Irish market this week, cutting its 3yr and 5yr fixed rates by between 0.2-0.3%, with these new lower rates applying from the start of March.

Last month Ulster Bank cut its 5yr fixed rate to 2.2% if the borrower will take out more than €300,000. This is now the lowest mortgage rate in the Irish market. Ulster bank is now also offering a €2,000 cash bonus for first time buyers if they save €10,000 or more over a 6 month period.

Currently, first time buyers make up roughly half of all new mortgages in Ireland.

Qatar stake in IAG

State-owned Qatar Airways has announced this morning that it has increased its stake in International Consolidated Airlines Group (IAG) from 21.4% up to 25.1%. IAG stock is up over 1% after this news this morning, to €7.68. Qatar Airways have steadily been buying more and more of IAG, their stake in the consolidated group was below 10% just 5 years ago.

IAG has owned Aer Lingus since 2015.

Renault

French multinational car-maker Renault has seen a 1% drop in share price in Paris this morning, having bounced from their initial 2% drop in early morning trade. This is on the back of news last night that American ratings agency Moody's have downgraded Renault's credit rating to Ba1, keeping their 'stable outlook' on the stock.

Subsequently Standard & Poors rating agency have downgraded the car-maker by one notch to BBB-/A-3 with a 'negative outlook'.

"While we believe Renault has retained solid financial flexibility thanks to its comfortable cash reserves, several operational challenges could further depress its free cash flow generation over the next 18-24 months" S&P said in a statement today.