

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

US equities saw extremely choppy trade yesterday after the surprise rate-cut announcement from the Fed, the S&P finished Tuesday at -2.81%. European equities are less phased by the news, with the DAX 30 and EuroStoxx 50 both up c.1% yesterday and a further 1% this morning. Global stocks remain very volatile after last week's equity pullback and flight into safe haven US treasuries. Gold markets reacted very well to this news of aggressive easing by the Fed, finishing the day up over 3% and undoing all of Friday's losses. We remain overweight gold and anticipate another leg higher for the precious metal in the coming months. US 10-year yields saw another huge drop lower yesterday, amazingly now trading beneath the 1% mark.

Looking to the day ahead, the Bank of Canada release their rate decision at 15:00 Irish time, we expect a 50 bp cut in line with the Fed's decision yesterday, which will leave Canadian rates at 1.25%. We will also see data from the US, the ISM Non-Manufacturing PMI will come out at 15:00, we expect a reading of 55.0 vs last month's 55.5. A miss of this PMI expectation today could serve as a further catalyst to the US Dollar's recent down-move and should send EUR/USD beyond the 1.200 level.

Key Events to Watch

- 04/03/2020 - BOC Rate Decision
- 04/03/2020 - US Non-Manufacturing PMI
- 05/03/2020 - OPEC Meetings
- 06/03/2020 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,003	-2.81%	-7.04%
DAX	11,985	1.08%	-8.71%
EuroStoxx	3,371	0.99%	-9.07%
ISEQ	6,486	1.55%	-9.11%
FTSE	6,718	0.95%	-9.89%
Nikkei 225	21,100	0.08%	-10.81%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1177	0.38%	-0.43%
EUR/GBP	0.8717	-0.14%	3.36%
GBP/USD	1.2821	0.54%	-3.61%
USD/CHF	0.96	-0.35%	-1.40%
USD/JPY	107.07	-1.14%	-1.06%
EUR/JPY	119.67	-0.77%	-1.49%

Fixed Income	Value	Daily Change
US 10yr	0.984	-0.173
US 2yr	0.689	-0.212
Bund 10yr	-0.627	-0.015
Irish 10yr	-0.193	-0.016
Gilt 10yr	0.389	-0.032
JGB 10yr	-0.112	-0.006

Financial News Round Up

Fed Emergency Rate Cut

Financial news headlines were dominated yesterday by the Federal Reserve's decision to make an unannounced 'emergency' cut to US interest rates. This was a double cut of 50 basis points, compared to the more normal 25bp moves that we are used to seeing from the central bank. This is the Fed's first unscheduled rate cut since the financial crisis in 2008, and leaves rates at a range of 1.00-1.25%.

In their short statement, the central bank said that "the coronavirus poses evolving risks to economic activity. The Federal Reserve is closely monitoring developments and their implications for the economic outlook. We will use our tools and act as appropriate to support the economy".

Markets had already fully priced in this 50bp rate cut for the Fed's next meeting which will take place on March 18th, but took a bit of a shock yesterday when the rate cut came 2 weeks early and unannounced.

Markets are currently pricing in a further 25bp rate cut in the Fed's April meeting.

US equities were very choppy on the back of this news, but did finish the day in the red, treasury bonds saw massive demand as 10 year yields burst below the 1.00% level (a record low). Gold futures saw a sudden rally which brings them back up to the \$1,640s.

US Super Tuesday Update

We are starting to see what looks like a two horse race in the contest to become the US' democratic presidential candidate. Former Vice President Joe Biden is in the lead after his victories in at least 8 of the 14 states that went to the polls yesterday.

Biden outperformed our expectations yesterday, and as it stands he looks set to take on Donald Trump in the November election. Yesterday's results would suggest that Biden is deemed to be more electable than Bernie Sanders, who is a self-proclaimed democrat socialist.

Irish Services Sector

According to AIB's Services PMI release this morning, Ireland surged to 59.9 for last month, up from 56.9 in January. This is the fastest rate of growth for Ireland's services sector in two years, as we venture ever further from the all important 50.0 level which marks the border between expansion and contraction. Reasons for this surge are the fading away of Brexit uncertainty over the past couple of months, coupled with strong new orders and growth in new business.

Ireland's services sector has been growing for seven consecutive years now.