

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Monday, 11th of May

Markets Outlook

Equities: Indices are down roughly half a percent in Europe this morning following another risk on move across the board on Friday. Futures in the US have opened slightly lower, with S&P down just -9.6% YTD and Nasdaq amazingly up 5.3%. The Nikkei 225 was up 1% overnight.

For currencies: FX has largely been rangebound for over a month now, after what was an extremely volatile March. We would expect to see increased volatility in currencies if we get a leg lower in equities this month. Today, Euro sits just above \$1.08 and £0.87.

For safe-havens: Gold trades just above \$1,700 on Monday morning, similar to much of last week. We will likely be a buyer of dips in the precious metal over the coming months. Government bond yields are up slightly this morning following on from Friday's move higher in US treasuries.

Looking ahead: Today is set to be quiet, we will likely see lower volatility. For the rest of the week, we are due to get US CPI inflation data, the Reserve Bank of New Zealand's rate decision, GDP from the UK and Germany, followed by US Retail Sales on Friday.

Key Events to Watch

12/05/2020 - US CPI
13/05/2020 - RBNZ Rate Decision
13/05/2020 - UK GDP
15/05/2020 - German GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	2,929	1.69%	-9.32%
DAX	10,904	1.35%	-17.37%
EuroStoxx	2,908	0.96%	-22.05%
ISEQ	5,507	1.55%	-23.23%
FTSE	5,935	1.40%	-20.64%
Nikkei 225	20,381	1.00%	-13.81%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0841	0.06%	-3.34%
EUR/GBP	0.8736	-0.31%	3.55%
GBP/USD	1.2409	0.37%	-6.61%
USD/CHF	0.9708	-0.23%	0.39%
USD/JPY	106.67	0.36%	-1.33%
EUR/JPY	115.63	0.42%	-4.65%

Fixed Income	Value	Daily Change
US 10yr	0.685	0.043
US 2yr	0.161	0.026
Bund 10yr	-0.538	-0.007
Irish 10yr	0.139	0.019
Gilt 10yr	0.233	0.000
JGB 10yr	0.005	0.012

Financial News Round Up

The Week Ahead

With earnings season winding down and with extremely poor economic data already expected and priced into markets, attention this week will likely shift towards the nation's that are beginning to reopen their economies. Reports of any sort of second wave in Europe could lift volatility once more in the equity space, to some extent we are entering the unknown for the next few weeks.

On the economic data front, tomorrow we will see inflation readings from the US, these CPI figures are due at 13:30 Irish time. Wednesday will be busier, starting off with the RBNZ's rate decision in the early hours of the morning, followed by UK GDP at 7am and Fed Chair Powell speaking in the afternoon. On Thursday we will see the weekly US Unemployment Claims figure which we expect to fall for a seventh consecutive week. Friday will see the release of Chinese Retail Sales before market open in Europe, followed by German GDP and US Retail Sales.

Last Friday's US Non-Farm Payrolls figure came in broadly in line with expectations at -20.5 million for April, with unemployment results slightly lower than expected at 14.7%, sending equities higher on the day.

Bank of Ireland

BOI shares have taken a further hit this morning, down 12.5% to €1.45 after the release of the bank's quarterly earnings. The group has reported an underlying loss before tax of €235m, compared to underlying profits of €143m during Q1 of 2019.

Net interest income for Q1 was €540m which was in line with expectations. BOI's CET1 ratio has fallen to 13.5%, down 0.3% month-on-month.

"The economic effects will have a material impact on the group's 2020 financial performance" said BOI's group Chief Executive Francesca McDonagh, "The full impact remains uncertain and will be driven by the duration of Covid-19 restrictions and the successful reopening of the Irish and UK economies".

Airlines

Shares continue to fall on Monday in one of the hardest hit industries this year, as Credit Suisse cut their target price for both Air France-KLM and EasyJet. The bank has reiterated their underperform rating on Air France-KLM, now expecting the airline to make an operating loss of €5.1b in 2020. Credit Suisse has cut its target price on the stock to €2.95, while the French-Dutch group currently trades at €4 a share.

The Swiss bank has maintained an outperform rating on EasyJet however, reducing targets from 945 pence to 745. Shares are down 8% this morning to 488 pence.