

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Markets have gapped higher in Europe this morning after much of the continent being closed on Monday for bank holidays. Germany's DAX 30 and the EuroStoxx 50 index are up a robust 3.4% each on Tuesday morning.

Currencies: Sterling was the main mover on Monday, interestingly with no obvious macroeconomic reason for its strength other than general risk-on tone. The Dollar grinded lower all last week, with EUR/USD now sitting above 1.1170 and slightly higher on the day.

Safe-havens: Bond yields moved higher across the board on Monday, pointing towards the strong possibility of another week of risk-on sentiment in the markets. Gold is flat this morning, at \$1,750 following a quiet Monday.

Looking ahead: This week should be busier than last week for markets, with an array of economic data releases from all around the world. On the central bank front, we saw the RBA rate decision this morning, which will be followed by BOC on Wednesday and ECB on Thursday. Tomorrow we will also see finance ministers from G7 nations meet all day, with US Non-Manufacturing PMI in the afternoon. Friday will be important for US equity markets, with the release of the monthly Non-Farm Payroll figure and US Unemployment Rate.

Key Events to Watch

03/06/2020 - G7 Meetings

03/06/2020 - BOC Rate Decision

03/06/2020 - US Non-Manufacturing PMI

04/06/2020 - ECB Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,055	0.38%	-5.42%
DAX	11,943	(Closed)	-9.81%
EuroStoxx	3,137	(Closed)	-16.19%
ISEQ	5,993	1.79%	-16.39%
FTSE	6,166	1.48%	-17.66%
Nikkei 225	22,333	1.23%	-5.63%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1135	0.16%	-0.58%
EUR/GBP	0.8910	-1.04%	5.31%
GBP/USD	1.2494	1.20%	-5.54%
USD/CHF	0.9609	0.02%	-0.92%
USD/JPY	107.59	-0.12%	-0.78%
EUR/JPY	119.67	-0.06%	-1.36%

Fixed Income	Value	Daily Change
US 10yr	0.667	0.027
US 2yr	0.160	0.004
Bund 10yr	-0.411	0.036
Irish 10yr	0.141	0.038
Gilt 10yr	0.229	0.046
JGB 10yr	0.008	0.010

Financial News Round Up

Central Banks

The Reserve Bank of Australia (RBA) left their main interest rate unchanged overnight at 0.25% after their move down from 0.50% in March, with expectations to potentially leave rates at this record low until 2023. In his statement, RBA Governor Lowe said "It is possible that the depth of the downturn will be less than earlier expected" and that "there are signs that hours worked stabilised in early May, after the earlier very sharp decline. There has also been a pick-up in some forms of consumer spending".

AUD/USD is 0.85% higher on Tuesday.

We expect the Bank of Canada to similarly leave rates unchanged on Wednesday afternoon at 0.25%. This will be the BOC's first monetary policy meeting with new Governor Tiff Macklem.

For the ECB on Thursday, general consensus is for the central bank's deposit rate to be left at -0.50%. Investors will be watching for any downgrades on economic data point forecasts by the ECB, along with the prospect of the current €750b pandemic emergency program being extended or increased in size.

Risk-On Sentiment

Despite the current alarming civil unrest in the United States, markets seem to be fairly unphased as volatility stays relatively low and a risk-on tone hits Europe. Our main reasons are outlined below:

- Most importantly, new daily case rates and death rates for the virus continue to fall across Europe, perhaps painting a picture of what is to come for the US in June and July. There has been no sign of a second wave on the continent, despite the gradual reopening of individual economies and easing of lockdowns.
- In his Friday speech, President Trump was less firm on China than markets had previously feared. Trump was expected to retaliate to China's recent actions in Hong Kong.
- Germany's DAX index is surging on Tuesday following reports that their Government is likely to approve a new fiscal stimulus package to the tune of circa €80 billion.

Irish Manufacturing PMI

According to the AIB Manufacturing Purchasing Managers Index (PMI), Ireland's May reading came in at 39.2 vs April's decade-low of 36.0. This still leaves us well below the 50.0 mark, and therefore still in contractionary territory, albeit moving in the right direction slowly.

"The data for May paints a downbeat picture of the sector for the third month in a row as the lockdowns associated with the coronavirus pandemic continue to depress activity." said AIB chief economist Oliver Mangan, "It is also the case that the index fell to even lower levels in the 2008-09 recession, when it troughed at 33.2"