

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Thursday, 4th of June

Markets Outlook

Equities: Stocks in Europe are flat to marginally higher following another day of strong gains on Wednesday, with DAX 30 and EuroStoxx 50 both gaining in the region of 3.5 - 3.8% in a single session. Equities were mostly higher across Asia overnight.

Currencies: The Dollar is broadly flat on Thursday, following a week which saw the greenback weaken vs Euro and Pound Sterling as investors pulled their capital from perceived safe-haven currencies and headed for equity markets aggressively.

Safe-havens: Gold has bounced slightly on Thursday, after 2 consecutive days of losses which saw the precious metal push below \$1,700 for the first time since mid May. Bond yields are flat to slightly lower on Thursday.

Looking ahead: On Friday we are due to get the release of the monthly Non-Farm Payrolls figure from the US, along with their monthly unemployment rate. We will also get the equivalent from Canada, both nations will release at 13:30 Irish time. Looking ahead to next week, OPEC will host meetings on Tuesday and Wednesday, with the main event of the week being Wednesday evening's FOMC Rate Decision. Next Friday will see the release of UK GDP.

Key Events to Watch

04/06/2020 - ECB Rate Decision
04/06/2020 - US Unemployment Claims
05/06/2020 - US Non-Farm Payrolls
05/06/2020 - US Unemployment Rate

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,122	1.36%	-3.34%
DAX	12,480	3.82%	-5.97%
EuroStoxx	3,268	3.56%	-12.84%
ISEQ	6,224	3.01%	-13.37%
FTSE	6,382	2.61%	-15.36%
Nikkei 225	22,668	0.24%	-4.06%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1234	0.56%	-0.12%
EUR/GBP	0.8934	0.38%	5.99%
GBP/USD	1.2574	0.19%	-5.71%
USD/CHF	0.9613	-0.11%	-0.65%
USD/JPY	108.90	0.21%	0.43%
EUR/JPY	122.34	0.77%	0.31%

Fixed Income	Value	Daily Change
US 10yr	0.746	0.054
US 2yr	0.192	0.026
Bund 10yr	-0.354	0.035
Irish 10yr	0.140	0.046
Gilt 10yr	0.284	0.063
JGB 10yr	0.027	0.004

Financial News Round Up

ECB Rate Decision

At 12:45 this afternoon the European Central Bank released its highly anticipated rate decision, accompanied by a monetary policy statement. Having left each of its interest rates unchanged, the central bank importantly has announced its plans to increase the size of its bond buying which investors had gradually priced in over recent weeks.

ECB has now expanded the size of its Pandemic Emergency Purchase Programme (PEPP) from €750 billion to €1.35 trillion and has also extended this programme out to June 2021 at the earliest. This €600 billion boost will likely be a welcome surprise for market participants, who were generally expecting just €500b.

"In response to the pandemic-related downward revision to inflation over the projection horizon, the PEPP expansion will further ease the general monetary policy stance, supporting funding conditions in the real economy, especially for businesses and households" the ECB said in their statement today.

EUR/USD is little changed following the statement, at -0.10% on the day.

Irish Economy

May exchequer figures have demonstrated a deficit in Ireland's public finances of €6.14 billion compared to a deficit of €63 million this time last year, with an unexpected increase in levels of corporation tax collected.

Corporation tax has risen by €1.22 billion y/y, with the Department of Finance citing steady increases in profitability levels in firms, rather than any potential once-off factors. Another positive from the data release was that the fall off in both income tax and VAT was less than expected by the Department. VAT for May has dropped by 35.4%, while income tax receipts were down by 7.8% y/y.

"In relation to corporation tax, as I have said many times before, receipts of this order will not last forever. Even if receipts prove resilient during the current crisis, they will decline in the near future. As such, excess returns should be used to reduce the extraordinary amount of borrowing the State is taking on to fight this crisis" said Finance Minister Paschal Donoghue on Wednesday.

US Unemployment Claims

The number of individuals in the US who filed for unemployment insurance over the past week has fallen for the tenth consecutive week now, coming in at 1.87m today vs broad expectations for 1.80m. This economic data point put in all-time highs back in early April when figures came in at a hefty 6.6m on the week. This steady decline would suggest the worst is over in the US labour market.