

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: The main indices in Europe are slightly lower on Monday, following the data from Germany before market open this morning. DAX 30 has rallied by 25% in just over 3 weeks, now less than 8% off its February highs. Stocks in Japan were stronger overnight, with the benchmark Nikkei 225 up by 1.25%.

Currencies: The US Dollar has lost significant ground over recent weeks, in line with the boost in global equities and the general risk-on tone across markets. On Friday the Euro almost reached \$1.14 and traded its highest levels since early March.

Safe-havens: Government bonds have weakened over the past week, pushing yields higher as US 10yr's push for 1.00% and German 10yr bunds now trade above -0.30%. Yields will likely rise significantly over the coming years should we see large rises in inflation as a result of the recent extensive monetary and fiscal easing across the globe.

Economic Data: This morning we saw the release of month-on-month Industrial Production from Germany, coming in at a miss of expectations, -17.9% vs consensus -16.0% forecasts. Looking ahead, the highlight of the week will be the FOMC rate decision on Wednesday.

Key Events to Watch

10/06/2020 - US CPI

10/06/2020 - FOMC Rate Decision

12/06/2020 - UK GDP

16/06/2020 - BOJ Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,193	2.62%	-1.14%
DAX	12,847	3.36%	-3.95%
EuroStoxx	3,384	3.76%	-10.50%
ISEQ	6,358	1.91%	-12.31%
FTSE	6,484	2.25%	-14.41%
Nikkei 225	23,150	1.25%	-2.02%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1286	-0.46%	0.80%
EUR/GBP	0.8911	-1.01%	5.46%
GBP/USD	1.2665	0.55%	-4.35%
USD/CHF	0.9626	0.74%	-0.57%
USD/JPY	109.59	0.42%	0.81%
EUR/JPY	123.68	-0.04%	1.63%

Fixed Income	Value	Daily Change
US 10yr	0.893	0.076
US 2yr	0.210	0.016
Bund 10yr	-0.282	0.040
Irish 10yr	0.159	0.009
Gilt 10yr	0.355	0.021
JGB 10yr	0.041	0.004

Financial News Round Up

The Week Ahead

The day ahead is set to be very quiet, with no economic data points of any importance being released this afternoon, however we will see ECB President Christine Lagarde speak at 14:45.

The highlight of the week will come at 19:00 on Wednesday evening as America's Federal Reserve release their rate decision and monetary policy statement, followed by a press conference held by Fed Chair Jerome Powell. Markets could show some sensitivity in the immediate aftermath of this release, and we expect Powell to be pushed to talk further about the possibility of negative interest rates in the US. We will also see US CPI inflation figures on Wednesday afternoon before the Fed.

Thursday and Friday will be quieter, with US PPI and US Unemployment Claims, followed by UK GDP to finish off the week.

Risk-On Sentiment

Stock markets extended their gains last week following more stimulus than expected from the ECB coupled with a massive beat of expectations for the US employment data on Friday. S&P 500 futures are up on Monday morning, now just 5.8% off their all-time highs, while on Friday the VIX volatility index reached its lowest price since February 25th.

While currently we are cautiously optimistic on global equity prices, we are not aggressively chasing the rally of recent weeks. We do see room for some jumps in volatility over the coming months, which in turn would bring equity selloffs with it. We must remember that we are still dealing with a number of potential issues aside from the virus and some sort of possible second wave: US-China tensions are ever-increasing, we are beginning to approach the leadup to the US General Election in November, and the December 31st Brexit deadline still looms large.

Oil Prices

WTI Crude Oil futures overnight have pushed above \$40, for the first time in over three months after OPEC nations agreed over the weekend to extend their output cuts by an extra month. The group has also signaled that they will implement stricter compliance in an attempt to guarantee that member nations don't pump more than they have pledged. Oil prices have doubled over the past 6 weeks as a fast global economic recovery gets priced in by investors, fueled in part by pent up demand, massive fiscal support and fresh vaccine hopes.