

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Tuesday, 7th of July

Markets Outlook

Equities: European stock markets are undoing Monday's gains, with major indices down roughly 1.4% this morning. This comes after the European Commission revised down its forecasts for growth in the region for this year and next. S&P futures are in the red early on Tuesday, while the VIX is approaching \$30, its highest level in a week.

Currencies: USD is gaining following the German Industrial Production release this morning coming in below forecasts, causing a flow out of Euro, EUR/USD sitting between 1.12 and 1.13 as we write.

Safe-havens: Bond yields are marginally lower, continuing yesterday's quiet trade, bonds have traded sideways in tight ranges for most of June and early July, reflecting no recent huge demand for safe-havens.

Economic Data: Following the Reserve Bank of Australia's decision to leave the country's interest rates unchanged overnight, Tuesday is set to be quiet much like the rest of the week. Yesterday we got a strong beat of expectations for the US Non-Manufacturing PMI, which helped push equities on to their highest prices in a month. The PMI figure came in at 57.1 vs 50.0 expectations and vs last month's 45.4 result.

Key Events to Watch

08/07/2020 - EU Economic Forecasts
09/07/2020 - US Unemployment Claims
10/07/2020 - US PPI
14/07/2020 - UK GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,179	1.59%	-1.58%
DAX	12,733	1.64%	-4.79%
EuroStoxx	3,350	1.69%	-11.30%
ISEQ	6,128	1.63%	-15.17%
FTSE	6,285	2.09%	-17.48%
Nikkei 225	22,614	-0.44%	-4.40%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1309	0.56%	0.66%
EUR/GBP	0.9053	0.42%	6.95%
GBP/USD	1.2493	0.15%	-5.86%
USD/CHF	0.9421	-0.31%	-2.61%
USD/JPY	107.36	-0.20%	-0.95%
EUR/JPY	121.42	0.35%	-0.25%

Fixed Income	Value	Daily Change
US 10yr	0.678	0.002
US 2yr	0.159	0.004
Bund 10yr	-0.432	-0.006
Irish 10yr	0.019	-0.004
Gilt 10yr	0.199	0.015
JGB 10yr	0.036	0.004

Financial News Round Up

European Commission

In a new report from the European Commission today, it is now forecasted that the euro zone economy will fall deeper into recession in 2020 and bounce back slower than was previously hoped for. This change in expectations was introduced as a direct result of the lifting of Covid lockdowns playing out more slowly than the organisation had initially anticipated.

These new forecasts are for the 19 euro zone nation's collective GDP to contract by 8.7% in 2020, and to then climb by 6.1% in 2021. This compares to the Commission's forecasts in May for a 7.7% drop this year followed by a 2021 rebound of 6.3%.

"At the global level, the still rising rate of infections, particularly in the US and emerging markets, has deteriorated the global outlook and is expected to act as a drag on the European economy," the report said.

The EC's latest update for Ireland is for our GDP to contract by 8.5% this year, with a 6.25% rise next year.

EuroStoxx 50 is 1.25% lower on Tuesday after this release, while Germany's benchmark DAX 30 index is down 1.45%.

Whitbread

British multinational hotel and restaurant company Whitbread issued their quarterly trading update this morning, in which it reported an 80% drop in like-for-like UK sales. The 'Premier Inn' owner pointed to its improving demand for hotel rooms in tourist areas while London demand remained low.

"It is still very early days to draw any conclusions from our booking trajectory, especially as there has been volatility in hotel performance in other countries that relaxed controls before the UK" said CEO Alison Brittain.

Whitbread cancelled its dividend in May and subsequently raised £1 billion in a cash call in order to help the firm survive the lockdown period.

WTB shares are over 4.5% lower today after this release. There are some positives that can be taken from today's update from Whitbread, with the confirmation of good summer demand in tourist locations and the recent reopening of roughly a third of their hotels.

Irish Jobless Claims

As the nation works through its third phase of easing restrictions, the number of individuals claiming the temporary Covid-related Government payments has fallen once again, to 412,900. This figure is down from 439,000 just one week ago, with a further 44,800 workers due to receive their final payment this week, according to Government data yesterday.