

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Tuesday, 21st of July

Markets Outlook

Equities: The EuroStoxx 50 benchmark equity index is almost 2% stronger on Tuesday morning following an EU recovery fund agreement after close to 5 days of talks. S&P 500 futures are also in the green this morning while the VIX has dropped below \$24.

Currencies: Safe-haven currencies such as USD and the Yen were on the back foot again yesterday. EUR/USD has gained over 2% over the past month, pushed on in recent days as traders priced in the outcome of EU leaders reaching a deal on the Covid-19 Recovery Fund.

Safe-havens: Gold is rallying for the third consecutive trading session today, the metal has gained roughly 9% since early June and continues to benefit from ongoing uncertainty regarding the virus and speculation of further fiscal stimulus to come.

Looking Ahead: Tuesday will be quiet in terms of economic data from Europe and the US, Canadian Retail Sales will be released at 13:30. PMI figures from the US, UK, and Europe on Friday will be the most important of the data points of the week. Later today we see earnings results from Philip Morris Int and Coca-Cola, followed by Microsoft and Nasdaq Inc on Wednesday.

Key Events to Watch

20/07/2020 - Ongoing EU Recovery Summit

23/07/2020 - US Unemployment Claims

24/07/2020 - European PMIs

24/07/2020 - US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,251	0.84%	0.65%
DAX	13,046	0.99%	0.07%
EuroStoxx	3,388	0.68%	-8.23%
ISEQ	6,265	0.71%	-12.25%
FTSE	6,261	-0.46%	-16.57%
Nikkei 225	22,884	0.73%	-3.27%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1446	0.03%	2.07%
EUR/GBP	0.9040	-0.69%	6.76%
GBP/USD	1.2662	0.72%	-4.33%
USD/CHF	0.9389	0.05%	-3.04%
USD/JPY	107.25	0.15%	-1.22%
EUR/JPY	122.76	0.18%	0.82%

Fixed Income	Value	Daily Change
US 10yr	0.613	-0.015
US 2yr	0.149	0.002
Bund 10yr	-0.458	-0.006
Irish 10yr	-0.051	-0.041
Gilt 10yr	0.147	-0.019
JGB 10yr	0.009	-0.012

Financial News Round Up

European Recovery Fund

Leaders of the EU's 27 member states reached a historic deal this morning on the region's €750 billion Covid stimulus package. This comes after almost 5 days of intense negotiations, in which we saw threats of a French walkout and a Hungarian veto, along with strong opposition from the 'frugal four'.

The main cause of concern for many member nations was the grant portion of the fund, which was finally agreed at €390b - a significantly smaller sum than the originally proposed €500b.

EU leaders during this time were also able to agree on the bloc's €1.1 trillion 2021 - 2027 budget, a cause of debate even before the virus reached the continent.

"I welcome what is a very substantial and significant package of measures - €1.8 trillion - which I think will go a long way to help to reboot and re-engineer economic recovery within the European Union." said Taoiseach Micheál Martin, "The Covid challenge is unique - its impact in terms of our economic, social and political life is very severe and it necessitated a response of this scale and magnitude".

The Euro reached a fresh 4-month high of \$1.1470 overnight.

UBS

Swiss multinational investment bank and the world's largest wealth manager UBS has released its Q2 earnings results, in which the bank reported an 11% drop in net profits for the quarter down to \$1.23b, albeit beating analysts' expectations of just \$973m.

UBS signaled the possibility of resuming share buybacks this year after generating more income than was expected during H1 of this year.

The bank's 'Common Equity Tier 1' ratio, a key indicator of financial strength, rose from 12.8% to 13.3% over the quarter, as it recorded fewer than anticipated draw-downs and as operating profit helped buoy capital. UBS added \$272m of loan loss provisions during the quarter, bringing its total for the year to \$540m.

Novartis

Swiss pharmaceutical giant Novartis has seen second quarter declines in net profit and sales, after medical stockpiling that was witnessed in the previous quarter largely reversed.

Net income also fell, by 4% to \$1.9b while revenue saw a 1% like-for-like dip to \$11.35b.

"Our product portfolio remains resilient despite Covid-19 negatively impacting sales in April and May" the company said in its earnings statement. The firm backed its previous 2020 guidance with tightened ranges, net sales are expected to grow mid-single digit percentages and core operating income expected to grow low double digit rates, given constant currencies.

Novartis is not active in the virus space and therefore does not have the Covid-19 vaccine potential catalyst element.