

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: European equities have opened flat to marginally higher this morning, on lower volume than would normally be expected, likely due to summer trade and lower activity. S&P 500's VIX volatility index got as low as \$22.20 on Friday evening, back up to \$22.75 at the time of writing. This week could be quieter for equities, as earnings season is mostly behind us and many traders are away from their desks.

Currencies: USD began to gain some ground late last week, following into this morning, a move which was always bound to come after such a big fall over recent months. The Dollar was supported on Friday by a beat of expectations in the nation's NFP figure and a lower Unemployment Rate than was forecasted. In level terms, EUR/USD is approaching the 1.1750 mark this morning, while GBP/USD (cable) sits at 1.3060.

Safe-havens: Gold pulled back by nearly 2% on Friday following the positive jobs data from the United States, and is trading up slightly on Monday on lighter than normal volume. Gold is showing us signs that it has recently reached overbought territory, and may pull back in the short-medium term giving us longer term entry points.

Key Events to Watch

11/08/2020 - UK Unemployment Claims

12/08/2020 - RBNZ Rate Decision

12/08/2020 - UK GDP

12/08/2020 - US CPI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,351	0.06%	3.73%
DAX	12,674	0.66%	-4.41%
EuroStoxx	3,252	0.38%	-12.96%
ISEQ	6,278	0.72%	-11.93%
FTSE	6,032	0.09%	-19.53%
Nikkei 225	22,329	-0.39%	-5.61%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1788	-0.75%	4.92%
EUR/GBP	0.9031	-0.01%	6.66%
GBP/USD	1.3053	-0.73%	-1.57%
USD/CHF	0.9125	0.30%	-5.54%
USD/JPY	105.93	0.36%	-2.38%
EUR/JPY	124.86	-0.39%	2.41%

Fixed Income	Value	Daily Change
US 10yr	0.566	0.033
US 2yr	0.129	0.012
Bund 10yr	-0.505	0.028
Irish 10yr	-0.132	0.017
Gilt 10yr	0.140	0.032
JGB 10yr	0.011	-0.002

Financial News Round Up

The Week Ahead

All in all it looks like we are set for a quieter week ahead, in terms of economic data Monday looks to be very sparse with no important releases due. Tuesday, likely to be another relatively quiet trading session, will see the release of the UK's monthly unemployment claims expected at -28.1K which would be its first negative reading in two years. In the early hours of Wednesday morning we will get the only central bank release of the week, coming in the form of the Reserve Bank of New Zealand who are expected to leave their interest rate of 0.25% unchanged. The UK's highlight of the week will come before market open on Wednesday, with monthly and quarterly GDP readings. UK Q2 GDP is forecasted to come in at -20.5%. This will be followed by US CPI inflation figures on Wednesday afternoon. Thursday will see Australia's monthly Unemployment Rate in the early hours, followed by the weekly US Unemployment Claims that afternoon. The week will be rounded off by US Retail Sales on Friday afternoon with a robust 7.5% m/m growth expected.

On the corporate front: Q2 earnings season winds down this and next week, with releases from Marriott International, InterContinental Hotels, Glanbia, Cisco, TUI, and Tencent.

Saudi Aramco

Despite its sharp pandemic-related drop in earnings, Saudi Arabian oil giant Saudi Aramco is pushing ahead with its plans to pay \$75 billion in dividends this year. The company took a massive hit to earnings results after lockdowns across the world drastically affected oil demand, mostly starting in March. Over the weekend, Saudi Aramco reported a Q2 net income of \$6.6b, which is 73% lower than that of a year ago. The dividend payout far exceeds the company's free cash flow, which comes in at just \$6.1b, down from \$20.6b a year ago.

Most of this dividend payout will go directly to the Saudi Arabian Government, who are of course still the firm's largest shareholders. Shares are just 0.15% higher this morning, 5.8% lower than where they opened at their initial public offering back in December where they raised a record \$25.6b.

Irish Construction PMI

According to the Ulster Bank Construction PMI release, Ireland's result rose from 51.9 in June to 53.2 last month. Importantly, this is above the 50.0 mark which draws the line between contractionary and expansionary territory. Housing leads the recovery in construction activity, the Housing PMI came in at 57.8 for July.

"A welcome pick-up in New Orders left the July reading back in positive growth territory and at a six-month high of 53.8. The employment index has also recorded further trend improvement last month, with a reading of 47.5 signalling the slowest contraction in employment since the coronavirus hit the Irish economy." said Ulster bank's Chief Economist Simon Barry.