

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Over night we saw continued strong gains in Asia as stock markets bet that Central banks will continue to support economies for longer. The US markets have seen their best performance since the 1980's. The UK is closed today for a bank holiday and this may leave the rest of Europe quiet but with a positive bias. The Dow Jones will start the week with three new shares being Salesforce, Amogen and Honeywell replacing Exxon, Pfizer and Raytheon. Apple's 4:1 stock split will occur today.

Currencies: Following last weeks decision by the Fed to follow an average inflation target (AIT) approach we can expect to see Forex markets try and interpret what this will mean in practice. How much over target will the fed allow inflation to go? Overall what this is likely to mean is that the Fed is going to allow the dollar to continue to weaken. Sterling is expected to also see a move towards \$1.35

Safe-havens: Gold was up over night in Asia with investors turning to the safe haven asset as the Dollar weakened. Separately we saw Oil up for the 5th consecutive day as global stimulation efforts underpin oil prices.

Key Events to Watch

- 31/08/2020 - China manufacturing PMI
- 01/09/2020 - US ISM manufacturing PMI
- 02/09/2020 - US ADP non-farm employment change
- 03/09/2020 - BOE Gov Bailey speaks
- 03/09/2020 - US ISM non - Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,508	0.67%	8.58%
DAX	13,033	-0.48%	-1.63%
EuroStoxx	3,316	-0.47%	-11.47%
ISEQ	6,505	-0.49%	-7.58%
FTSE	5,964	-0.61%	-20.93%
Nikkei 225	23,158	1.20%	-3.27%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1890	-0.03%	6.15%
EUR/GBP	0.8925	0.17%	5.60%
GBP/USD	1.3333	-0.12%	0.57%
USD/CHF	1.0752	-0.01%	-6.62%
USD/JPY	105.63	0.29%	-2.77%
EUR/JPY	125.70	0.30%	3.19%

Fixed Income	Value	Daily Change
US 10yr	0.724	-0.005
US 2yr	0.131	-3.040
Bund 10yr	-0.415	-0.005
Irish 10yr	-0.061	-0.011
Gilt 10yr	-0.311	-0.002
JGB 10yr	0.048	-0.009

Financial News Round Up

The Week Ahead

Whats key

The economic highlight for the week ahead will be the August employment report for the USA. The forecast for the pace of rehiring in the non farm payrolls is 1.43mln which would follow on from a very strong July figure of 1.5mln as the US reopens for business. These figures are well below the Feb 2020 peak of 12 million. Unemployment in the US is expected to fall below 10%. In the Eurozone flash inflation numbers are expected this week which are likely to indicate a figure below 1%. There will also be Euro retail sales figures out this week which will be closely watched for indication of improvement in consumer sentiment.

Berkshire Hathaway

In a surprise move over the weekend that may herald a change in direction, it was announced that Berkshire Hathaway Inc (N:BRKa) has bought a 5% stake in each of Japan's five biggest trading houses, together worth over \$6 billion, marking a departure for Chairman Warren Buffett as he looks beyond the United States to diversify his conglomerate. The long-term investment in Itochu Corp (T:8001), Marubeni Corp (T:8002), Mitsubishi Corp (T:8058), Mitsui & Co Ltd (T:8031) and Sumitomo Corp (T:8053) could see the stakes rise to 9.9%, Berkshire said on Sunday, Buffett's 90th birthday. "The five major trading companies have many joint ventures throughout the world and are likely to have more," Buffett said in a statement. "I hope that in the future there may be opportunities of mutual benefit." The investment will help reduce Berkshire's dependence on the U.S. economy, which in the last quarter contracted the most in at least 73 years as the COVID-19 pandemic took hold. Many of its businesses have struggled, including aircraft parts maker Precision Castparts from which it bore a \$9.8 billion writedown. Buffett's choice in Japan, however, surprised market players as trading houses have long been far from investor favorites. As well as significant exposure to the energy sector and resource price volatility, tangled business models involving commodities as varied as noodles and rockets have long been a turn-off. "Their cheap valuation may have been an attraction," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ (NYSE:MUFG) Morgan Stanley (NYSE:MS) Securities in Tokyo. "But it is un-Buffett-like to buy into all five companies rather than selecting a few."