



Friday 4th September

Markets Outlook

Equities: After a long run in markets the tech stocks suddenly lost their glamour yesterday afternoon and once the turn came it was fast. Almost all the big name tech stocks lost between 4 and 5% bringing all US indices into negative territory. The sell off in Tech hit European markets late in the day with the Euro Tech sector dropping 3.5%. Overnight the sell off was trimmed in US futures markets but Asian markets sold off and European markets are opening weaker. In other news two leading Spanish banks have entered merger negotiations and this will give focus to the sector in the coming weeks.

Currencies: The dollar traded marginally higher in early European trade Friday, with traders cautious ahead of the release of U.S. jobs data that could shed some light on the strength of the country's economic recovery. The Dollar Index, which tracks the greenback against a basket of six other currencies, was up 0.1% at 92.838 in early morning trade, on course for its best week in more than two months. The dollar has managed to halt its recent slide, but the overall sentiment remains one of weakness given the Federal Reserve has strongly implied that it intends to keep rates low for a very long time. On top of this, there remain concerns about the strength of U.S. economic growth. Both Eur/\$ and cable were lower with weaker German industrial orders and fears on hard Brexit affecting each pair.

Safe-havens: Gold rose quickly on the sell off in US stocks but then flattened as concerns on US economic effected the dollar and gold referesed,

Key Events to Watch

- 04/09/2020 - IRL prelim Q2 GDP
- 04/09/2020 - Ger. Jul factory and Aug construction
- 04/09/2020 - US unemployment rate
- 07/09/2020 - US bank holiday

Market Moves

	Value	Daily Change	YTD Change
DAX	13,084	0.25%	-1.30%
EuroStoxx	3,316	0.34%	-11.60%
ISEQ	6,336	0.66%	-10.45%
FTSE	5,880	0.48%	-22.12%
Nikkei 225	23,205	-1.11%	-1.91%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1840	-0.07%	5.61%
EUR/GBP	0.8907	-0.15%	5.42%
GBP/USD	1.3295	0.11%	0.25%
USD/CHF	0.9104	0.12%	-5.94%
USD/JPY	106.17	0.00%	-2.26%
EUR/JPY	125.70	-0.08%	3.21%

Fixed Income	Value	Daily Change
US 10yr	0.646	0.024
US 2yr	0.133	0.008
Bund 10yr	-0.480	0.011
Irish 10yr	-0.136	-0.009
Gilt 10yr	0.251	0.014
JGB 10yr	0.032	-0.004

Financial News Round Up

Ryanair

In a surprise move Ryanair announced a €400 million limited rights issue. It will only be available to institutional investors and a limited number of other investors. Included in the other investors are senior management including Michael O'Leary who are reputed to have committed to the fund raise. The company has said that it wants to raise the funds now to take advantage of perceived weakness in competitors and to undertake any actions required to strengthen its position in European air markets. The company which has circa €4 billion in cash on its balance sheet is perceived to be in a relatively healthy financial position but one does have to believe that some of this fund raise is to ensure the Balance sheet can withstand any further Covid lockdown. This move follows on from IAG's recent announcement to raise circa €2.75 billion to bolster its financial position. The stock reacted positively to the move and is up 4% in early trade

European Banks

The start of the improvement in European economic conditions has promoted a start of a recovery in Banking stocks in European. Along with this it is expected that one will start to see mergers and takeovers in the sector. The banking regulators are concerned that low interest rates are weighing heavily on European banks and they are positively disposed towards mergers for the cost saving benefits. The first such deal was announced yesterday when Spanish banks Bankia and Caixabank announced that they are considering a merger to create the biggest lender in Spain with more than €650 billion in total assets. Bankia and Caixabank are discussing an all-share merger as reported in a statement to the stock exchange late last night. Following the economic crisis the number of lenders in Spain has shrunk by three-quarters however with the Covid-19 pandemic this is putting even further pressure on lenders to merge as banks set aside costly provisions to cope with the crisis. The spanish market is interesting because Santander and BBVA are bigger banks because of their extensive overseas businesses, a tie-up between Caixabank and Bankia would create Spain's biggest domestic player. The spanish state would also be a beneficiary in this merger as they currently hold 60% of Bankia. We can expect many more deals like this in Europe in the coming year.