

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Tech stocks led the move lower in the US last evening as equity indices saw another selloff with S&P 500 dropping 1.76% and Nasdaq 2%, pushing the VIX index briefly above \$30 on the day. US indices have fallen in 4 of the last 5 sessions as a result of the current tech pullback. Stocks in Europe are marginally lower on Friday morning as Brexit tensions show no signs of letting up soon.

Currencies: Euro showed some intra-day volatility following the ECB release on Thursday, finishing the day up just 0.10%, EUR/USD slightly stronger again this morning. GBP came under significant pressure once again as tensions rise between the EU and UK and a no-trade-deal Brexit looks increasingly likely.

Safe-havens: Yields were mixed and relatively muted yesterday, benchmark US 10yr has remained roughly within the 0.65 - 0.70% region all week, Bunds sold off after the ECB was slightly less dovish than expected which pushed their yield higher. Gold continues its broadly sideways trade of the past 4 weeks.

Looking ahead: This afternoon we will see CPI inflation figures from across the pond, Eurogroup finance ministers will also have talks all day. Next week looks set to be busier, with 3 central bank releases coming on Wednesday and Thursday: Federal Reserve, Bank of Japan, and Bank of England.

Key Events to Watch

11/09/2020 - US CPI

16/09/2020 - Fed Rate Decision

17/09/2020 - BOJ Rate Decision

17/09/2020 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,339	-1.76%	3.36%
DAX	13,208	-0.21%	-0.31%
EuroStoxx	3,312	-0.36%	-11.53%
ISEQ	6,342	-0.18%	-11.58%
FTSE	6,003	-0.16%	-20.23%
Nikkei 225	23,406	0.74%	-1.06%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1813	0.09%	5.62%
EUR/GBP	0.9224	1.63%	9.09%
GBP/USD	1.2803	-1.52%	-3.12%
USD/CHF	0.9104	-0.21%	-5.97%
USD/JPY	106.13	-0.04%	-2.26%
EUR/JPY	125.37	0.06%	3.23%

Fixed Income	Value	Daily Change
US 10yr	0.682	-0.017
US 2yr	0.139	-0.006
Bund 10yr	-0.440	0.021
Irish 10yr	-0.066	0.021
Gilt 10yr	0.238	0.003
JGB 10yr	0.022	0.002

Financial News Round Up

ECB Yesterday

On Thursday afternoon the European Central Bank decided to leave key interest rates and their ongoing QE programme unchanged, not causing any upset or sustained volatility in markets on the session.

The central bank reiterated its 0.3% inflation forecast for 2020 in the Eurozone, this follows the region's inflation reading entering negative territory in August for the first time since May 2016.

When asked about a possible change in policy, ECB President Lagarde said that "under current circumstances it is certainly very likely that the full envelope of PEPP will be used". This refers to the €1.35 trillion Pandemic Emergency Purchase Programme that is currently in place, she added that no change to the programme had been discussed.

"Clearly to the extent that the appreciation of the Euro exercises negative pressure on prices, we have to monitor carefully such a matter, and this was extensively discussed in the Governing Council" said Lagarde. This tone from the President will likely come as a relief to Euro bulls, who previously worried that the ECB may begin actively jawboning in an attempt to dampen the currency's recent rally. We estimate that it would take a further 5-7% appreciation from current levels before the central bank deems this Euro move to be truly policy-relevant.

Brexit Update

Following the emergency talks on Thursday, the EU has now given Britain until the end of September to amend their new bill, which it said constitutes a clear violation of last year's Brexit divorce agreement. This comes after reports that the bloc is exploring the option of legal action against the UK over PM Johnson's recent plans to breach the withdrawal agreement, which would push tensions to fresh highs and potentially put significant pressure on UK equities.

In our view, the scene is now set for considerable rows and tensions between the two unions as the clock ticks on and we also edge towards the October 15th EU Council meeting.

As expected, the UK's July GDP reading came in this morning at 6.6% for the month-on-month result, reflecting the third consecutive month of growth for the UK, while its economy still remains 12% below the pre-pandemic levels.

GBP/USD -0.20%, EUR/GBP +0.65%, FTSE +0.33%.

Oracle

California-based computer technology company Oracle saw a jump in share price after-hours last night (currently at +3.4%), following the release of the firm's fiscal first-quarter results which saw a net income of \$2.25b, equating to 72 cent per share, compared to the \$2.14b and 63 cent per share one year prior. This surge comes as the ongoing pandemic has forced employees in many sectors to work remotely, boosting Oracle's cloud services unit massively. Revenue was higher, up to \$9.37b from \$9.22b, beating analysts' expectations for \$9.17b.

Back in April 'Zoom' announced that they would use the Oracle Cloud as their infrastructure provider.