

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Stocks in Europe are bouncing this morning and are attempting to undo some of Monday's sharp losses. Main indices up roughly 1.75% on Wednesday after a solid close on Wall St last night. VIX has fallen below \$26.50 for the first time this week. This risk-on tone comes as reports emerge about the ECB exploring the possibility of extending its purchasing programme.

Currencies: The Dollar has gained some ground in recent days, with EUR/USD this morning breaching 1.17 and trading its lowest levels since July. This move has come as lockdowns are re-introduced across Europe, and the Dollar proves its safe-haven status to us once again. We believe this will likely be a shorter term pullback in EUR/USD, before the pair pushes higher again.

Safe-havens: Bond markets have been extremely quiet this and last week. Gold is in its third consecutive red day, trading below the \$1,900 mark today.

Looking ahead: This afternoon focus will be on the US' Services and Manufacturing PMI releases, this comes after the same release from European nations this morning. Fed Chair Powell is due to speak later today and alongside US Treasury Secretary Mnuchin tomorrow. In the US tomorrow we will see earnings results from Accenture followed by Costco Wholesale Corp on Friday.

Key Events to Watch

23/09/2020 - US PMIs

24/09/2020 - SNB Rate Decision

24/09/2020 - Powell and Mnuchin speak

30/09/2020 - Chinese PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,315	1.05%	2.62%
DAX	12,594	0.41%	-3.96%
EuroStoxx	3,164	0.10%	-14.61%
ISEQ	6,228	-0.40%	-12.68%
FTSE	5,829	0.43%	-21.85%
Nikkei 225	23,346	-0.06%	-1.31%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1706	-0.54%	4.35%
EUR/GBP	0.9192	0.11%	9.01%
GBP/USD	1.2731	-0.65%	-4.20%
USD/CHF	0.9192	0.54%	-4.96%
USD/JPY	104.91	0.26%	-3.39%
EUR/JPY	122.82	-0.27%	0.81%

Fixed Income	Value	Daily Change
US 10yr	0.671	0.005
US 2yr	0.137	0.000
Bund 10yr	-0.502	0.018
Irish 10yr	-0.152	0.010
Gilt 10yr	0.201	0.047
JGB 10yr	0.007	-0.002

Financial News Round Up

PMIs This Morning

We saw a mixed set of results from Europe this morning in terms of PMI data. These releases are considered to be leading indicators and give us the latest picture of how businesses are performing in each economy, with respect to services and manufacturing. Today's PMIs represent data from this month, rather than some other lagging indicators which only give us a view of economies in previous months or quarters. Above 50.0 indicates that an economy is in expansionary territory, while below equates to contractionary territory.

- French Services PMI: 47.5 vs 52.2 expectations.
- French Manufacturing PMI: 50.9 vs 50.6 expected.
- German Services PMI: 49.1 vs 53.0.
- German Manufacturing PMI: 56.6 vs 52.0.
- UK Services PMI: 55.1 vs 57.0.
- UK Manufacturing PMI: 54.3 vs 54.3.

All services results above missed their respective expectations, which analysts believe is mainly due to the services industry being directly affected by the resurgence in cases across the continent which has pushed individual governments to reimpose restrictions and caused more people to remain at home.

Nike

Nike, the world's largest supplier of sports shoes and apparel, reported stronger than expected quarterly earnings last night after markets closed in the US. The quarter, which ended for Nike on August 31st, saw a revenue drop of only 1% to \$10.59b, vs analysts' forecasts for \$9.11b. Operating profit also came in at a beat of expectations, \$1.77b vs \$865m forecasts.

Nike's digital sales have grown by 82% when compared to the same quarter a year prior, which has almost fully offset its drastically lowered in-store sales.

"We know that digital is the new normal. The consumer today is digitally grounded and simply will not revert back" said Chief Executive John Donahoe yesterday.

The stock is up almost 14% in pre-market trade, ahead of its 2:30pm open in New York, expected to open at an all-time high of \$133. Nike is over 15% higher YTD following last night's release.

Based on yesterday's closing price, the stock was trading at a FY21 P/E of over 44 times and an EV/EBITDA of 31.6 times, an average 83% premium to their 10-year averages. Furthermore, Nike is trading well above the industry's P/E of 32.2 times, potentially pointing to the fact that the stock could find itself in overbought territory somewhere in the near-term.