

# Daily Update

Your daily market news, moves  
and outlook



## SEASPRAY FINANCIAL

Wealth & Investment Management

### Wednesday, 5th of May

## Markets Outlook

**Equities:** Global stock markets fell on Tuesday after inflation comments from US Treasury Secretary Janet Yellen, with Yellen later attempting to clarify and ease market concerns. The DAX and EuroStoxx indices on the continent both traded their lowest prices since the end of March on the back of these comments, before bouncing somewhat as earnings season continued with results largely coming in on the positive side. VIX moved to an intra-day high of \$21.85 yesterday as tech led the sell-off in the States, the Nasdaq down almost 2% last night at the close, VIX at \$18.55 this morning.

**Currencies:** The Dollar is on the front foot again on Wednesday, EUR/USD trading below 1.20 after Yellen's comments about potentially higher interest rates in the US which led to a risk asset sell-off and a Dollar safe-haven bid. EUR/GBP is edging lower this morning after seeing some gains last month in an otherwise strong downtrend, the pair at 0.8635 today.

**Safe-havens:** Gold has been largely range-bound in recent weeks between about \$1,770 and \$1,790. The metal may require a sustained move in one direction from the US Dollar or from Treasuries in order to break out of this current range. We reiterate our \$2,100 end of year price target for gold, which would equate to 18.2% upside from today's price.

**Looking ahead:** On Wednesday afternoon we are due to get the US 'ISM Services PMI' as well as the European Commission's latest economic forecasts. This will be followed on Thursday by the UK's Services PMI and the Bank of England's rate decision. The highlight of the week in terms of data will come on Friday in the form of the US' Non-Farm Payrolls monthly release. For corporate earnings: later today we will hear from PayPal and General Motors, followed tomorrow by Linde, Continental, Volkswagen, and Societe Generale.

## Key Events to Watch

05/05/2021 - EU Economic Forecasts

05/05/2021 - US Services PMI

06/05/2021 - BOE Rate Decision

07/05/2021 - US Non-Farm Payrolls

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,163	-0.70%	10.86%
DAX	14,874	-2.38%	9.83%
EuroStoxx	3,925	-1.87%	11.93%
ISEQ	7,999	-1.15%	8.45%
FTSE	6,928	-0.59%	8.26%
Nikkei 225	28,812	-0.83%	4.99%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2015	-0.38%	-1.78%
EUR/GBP	0.8651	-0.20%	-3.33%
GBP/USD	1.3887	-0.15%	1.63%
USD/CHF	0.9136	0.30%	3.50%
USD/JPY	109.33	0.25%	5.95%
EUR/JPY	131.37	-0.13%	4.04%

Fixed Income	Value	Daily Change
US 10yr	1.594	-0.005
US 2yr	0.162	0.000
Bund 10yr	-0.237	-0.029
Irish 10yr	0.141	-0.044
Gilt 10yr	0.794	-0.047
JGB 10yr	0.091	-0.009

## Financial News Round Up

### Yellen's Comments

While the Dow Jones closed last evening on Wall Street in the green, the other main US indices traded lower as investors sifted through comments from the US Treasury Secretary Janet Yellen who claimed that interest rates in the States could rise if the economy overheated. The tech-heavy Nasdaq index saw its worst one-day sell off since March after the release.

"It may be that interest rates will have to rise somewhat to make sure that our economy doesn't overheat" Yellen said at a virtual meeting on Tuesday, "Even though the additional spending is relatively small relative to the size of the economy, it could cause some very modest increases in interest rates."

Janet Yellen later tried to backtrack somewhat on these comments which caused a slight bounce in equities. However, it is now clear to us that the mere mention of US tightening did spook investors and will likely do the same at some point in the future, in a market that is so heavily influenced by the Federal Reserve's monetary stimulus.

While we do see potential for short-term bouts in volatility over the coming months as comments like yesterday's continue to occur, along with arguably excessive valuations in certain sectors and regions, we reiterate there is continued reason for optimism in the medium-long term. We believe consumer confidence will progress over the coming months as vaccination programmes continue, earnings results have been robust so far in terms of Q1 2021 readings, and central bankers have time and time again repeated that they will let inflation run above 2% and will not hike rates any time soon.

### Permanent TSB

Permanent TSB has released a trading update on Wednesday morning, the 75% state-owned Irish bank stating that its new mortgage lending surged by an impressive 30% when compared to the overall Irish market's 13% growth during the same period. Permanent's share of the mortgage market here increased from 15.3% in Q4 2020 to 17.9% last quarter, as the bank looks to capitalize on some of its rivals plans to leave the Irish market.

Bank officials have said today that Permanent has remained extremely resilient since the beginning of the pandemic last year, posting a non-performing loans result of €1.1 billion at March 31st which was in line with balances from December 31st.

Net interest income was 10% lower in the three-month period, while Net Interest Margin (NIM) is now expected to increase to in excess of 1.6% this year, as the bank continues to lend and actively manage deposit costs.

The shares, which are over 6.5% higher this morning to €1.42 following the release, have enjoyed a 66% price increase so far in 2021 from their low base of just 83 cent. This move higher has come as large funds have continued to flow into more cyclical value-oriented sectors in recent months, rates have increased (at least in developed bond markets), and Ulster Bank and KBC Ireland have both made the decision to wind down their operations in the Republic.