

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Wednesday, 19th of May

Markets Outlook

Equities: Markets are roughly 1.5% lower in Europe on Wednesday, tracking weakness on Wall Street last night and into this morning on US equity futures. Investors in recent weeks have grown more wary of rising inflationary pressures increasing the chances of an early tightening of monetary policy. The release of the Fed's meeting minutes tonight will be closely watched by traders on all time frames. VIX higher to \$23.06 this morning.

Currencies: The main Dollar pairs traded through their highest levels in roughly 3 months on Tuesday as the greenback continued to lose ground, EUR/USD and GBP/USD marginally lower this morning to 1.2212 and 1.4175. This USD weakness has come as market participants bet on the outcome that the Fed will remain accommodative and continue to print Dollars, at least for now. We expect FX markets to remain subdued until after 7pm tonight when we have further clarity from the US central bank.

Safe-havens: Gold is pulling back slightly this morning, however still in its third consecutive week of gains as y/y inflation readings begin to spike, trading at \$1,862 on Wednesday. Silver is up near the higher end of its 10-month range at \$27.86. Sovereign bond yields in Europe continue their March higher as markets price in higher inflation and a stronger than previously priced-in economic recovery this year for the region. German 10yr yielding -0.086%.

Looking ahead: This afternoon we are due to get monthly CPI inflation data from Canada, followed this evening by the release of the Federal Reserve's latest set of meeting minutes. Tomorrow will be slightly quieter, ECB President Lagarde is due to speak however no major statements are expected. Friday will be busier with UK Retail Sales, and of course Services and Manufacturing PMI results from both sides of the Atlantic.

Key Events to Watch

19/05/2021 - Fed Meeting Minutes
21/05/2021 - UK Retail Sales
21/05/2021 - European PMIs
21/05/2021 - US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,127	-0.85%	11.12%
DAX	15,386	-0.07%	12.29%
EuroStoxx	4,005	-0.04%	12.81%
ISEQ	8,050	0.02%	7.82%
FTSE	7,034	0.02%	8.61%
Nikkei 225	28,044	-1.28%	1.39%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2220	0.57%	-0.66%
EUR/GBP	0.8612	0.20%	-3.57%
GBP/USD	1.4187	0.37%	3.06%
USD/CHF	0.8976	-0.62%	1.97%
USD/JPY	108.88	-0.28%	5.80%
EUR/JPY	133.05	0.28%	5.11%

Fixed Income	Value	Daily Change
US 10yr	1.640	-0.012
US 2yr	0.151	-0.004
Bund 10yr	-0.110	0.006
Irish 10yr	0.338	0.004
Gilt 10yr	0.864	-0.002
JGB 10yr	0.075	-0.004

Financial News Round Up

UK Inflation

This morning before market open in London we saw the release of the United Kingdom's year-on-year CPI inflation result, which recorded data up to the end of April. The CPI came in at 1.5% for the UK, in line with analysts' expectations, and up from last month's 0.7% for the region's highest inflation reading in 13 months. 'Core CPI', which measures the same data as the regular CPI except excluding volatile food, energy, alcohol, and tobacco items, also came in as expected at 1.3% (up from the previous 1.1%).

We note that earlier this week the Bank of England reiterated that inflation will likely peak close to 3% during 2021, and subsequently pull back to 2% for the following two years.

Today's data also showed us that prices charged by manufacturers were 3.9% higher in the 12 months to April, the figure's largest increase in two and a half years. Prices that these manufacturers paid for their inputs jumped however by 9.9%, the most since February 2017.

Corporate Earnings

As the first quarter corporate earnings season has nearly concluded in the United States, it is becoming evident now that analysts had far underestimated how strong the recovery in earnings would be as the global economy began to reopen during Q1 and vaccination campaigns got underway.

In the US, year-on-year earnings have grown by over 50%, the nation's strongest quarter in at least a decade, while circa 87% of American firms that have reported have beaten estimates. In Europe, where only just over half of the EuroStoxx600 companies have released results, y/y earnings growth is pointing to a 92% jump, based on a combination of reported results and expectations. Europe's earnings rebound has proven to be more robust than that of the US due to the heavy hit the continent took this time last year. On both sides of the Atlantic, corporate earnings are amazingly now back above pre-pandemic levels.

Dáil - Stamp Duty Vote

The Dáil will vote later today on a proposal to introduce a stamp duty charge of 10% on the purchase of 10 or more houses under plans agreed by the Cabinet last night. The higher charge, which aims to prevent large investors from buying up housing estates, would also apply to anyone in Ireland who acquires ten or more units on a cumulative basis over any 12-month period.

Minister for Finance Paschal Donohoe has this morning defended the Government's decision to exclude apartment purchases from the proposal, stating that the reason this is a house-focused measure is because he is "genuinely convinced" that less apartments would be built if they were included on the new scheme. "The first step in allowing rent to become more affordable in the future, and allow for more apartments to people who want to live in them, is for the apartments to be actually built" he said.