

# Daily Update

Your daily market news, moves  
and outlook



## SEASPRAY FINANCIAL

Wealth & Investment Management

### Friday, 18th of June

## Markets Outlook

**Equities:** European markets are flat to slightly lower on Friday morning, as mining stocks weigh on indices amid lower commodity prices. The reflation trade in equities has come into question since the Fed's more hawkish than expected release mid-week, with banks and energy stocks feeling the pressure in the meantime. Japan's Nikkei 225 erased modest gains following the BOJ release overnight.

**Currencies:** EUR/USD is bouncing marginally on Friday, having traded 1.7% lower over the previous two sessions following the FOMC release. The world's most traded currency pairing even traded briefly below 1.19 for the first time since mid-April. The Dollar has seen a bid as short-duration Treasuries have sold off, presenting investors with a higher yield which will draw more money into the US and into Dollars. Cable lower this week to 1.39 from a starting point of roughly 1.41, after the disappointing UK retail sales figure this morning.

**Safe-havens:** Gold has suffered in recent days since the Fed came out more hawkish than was priced into markets, investors are now looking at the possibility of higher real yields as rate hikes are priced in for 2023 and central banks still see inflation as 'transitory'. This would weigh on gold, the metal inversely correlated to the direction of real yields in the US. Shorter duration US bonds have sold off sharply this week as rate hike forecasts are brought forward to 2023, the US 2yr now yielding 0.21%.

**Looking ahead:** The rest of the day looks set to be very quiet on the data front. Looking ahead, next Monday will see a speech from the Fed Chair J Powell, with the same from ECB President Lagarde on Tuesday. On Wednesday we will get the release of June PMI results from both sides of the Atlantic, followed on Thursday by the Bank of England's latest release. On Friday we are due to see the Fed's preferred inflation metric: US Core PCE.

## Key Events to Watch

22/06/2021 - Fed Chair Powell speaks

23/06/2021 - European & US PMIs

24/06/2021 - BOE Rate Decision

25/06/2021 - US PCE inflation index

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,221	-0.04%	12.40%
DAX	15,727	0.11%	14.59%
EuroStoxx	4,158	0.15%	17.06%
ISEQ	8,221	-0.10%	12.16%
FTSE	7,153	-0.44%	10.70%
Nikkei 225	28,964	-0.19%	5.54%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1906	-0.73%	-2.55%
EUR/GBP	0.8551	-0.26%	-3.88%
GBP/USD	1.3919	-0.49%	1.40%
USD/CHF	0.9173	0.97%	3.77%
USD/JPY	110.20	-0.44%	6.57%
EUR/JPY	131.19	-1.18%	3.84%

Fixed Income	Value	Daily Change
US 10yr	1.511	-0.070
US 2yr	0.213	0.006
Bund 10yr	-0.190	0.056
Irish 10yr	0.188	0.011
Gilt 10yr	0.792	0.050
JGB 10yr	0.057	0.005

## Financial News Round Up

### UK Retail Sales

UK retail sales results for the month of May were released before market open this morning, the month-on-month figure coming in at -1.4% versus +1.5% forecasts and the previous month's 9.2% reading. This is the region's weakest monthly result in 4 months, as sales fell unexpectedly after a lifting of lockdowns has encouraged spending in restaurants rather than shops, according to the data from the UK's Office for National Statistics (ONS). We note that only three of nineteen analysts polled forecasted a fall in the monthly reading.

"Anecdotal evidence suggests the easing of hospitality restrictions had an impact on sales as people returned to eating and drinking at locations such as restaurants and bars" the ONS said. Food shops were the worst hit during May, with sales there falling by 5.7%.

On a year-over-year basis, retail sales were up 24.6%, below expectations for a 29% increase.

### Mortgages in Ireland

Avant Money, the newest entrant into the Irish mortgages market, have announced a new suite of fixed rate loans which includes Ireland's first ever 30-year fixed rate. This new product will allow Irish borrowers to fix their repayment rate for the entire lifetime of the mortgage, with rates for the 30-year fixed starting at 2.85% for Loan-to-Value's (LTVs) of 60%, increasing as LTVs increase.

We note that this move by Avant Money, who are of course owned by Spanish banking group Bankinter, follows a similar one from non-bank lender Finance Ireland who recently began selling their 20-year fixed rate mortgages. Similar to Finance Ireland, this new product will incorporate a limit on annual overpayments to the tune of 10% of the balance per year. Early redemption fees on these mortgages are capped at 2%, coming down to 1.5% after 10 years, and lower than Finance Ireland's over that first decade.

### Kerry Group

Ireland-headquartered food company Kerry Group today announced plans to sell its consumer foods' meats and meals business in both the UK and Ireland to US food company Pilgrim's Pride for €819m.

Last year, these divisions made a gross profit of €63 million on the back of €828m revenues.

"The transaction further enhances Kerry's focus as a leading business to business ingredient solutions provider for the food, beverage and pharmaceutical markets" said Edmond Scanlon, Kerry CEO.

The deal is expected to be completed in the fourth quarter of this year, subject to the usual regulatory approvals and customer closing conditions.