

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Thursday, 24th of June

Markets Outlook

Equities: The main European equity indices are roughly 0.80% higher on Thursday, Germany's DAX30 just 1.5% off its record highs. Tech has outperformed this week, with traders jumping back into the growth names that had underperformed so far in 2021. This move has caused the Nasdaq index in the United States to reach a new all-time high on Wall Street yesterday, and has come at the expense of more cyclical equities. VIX lower on the week so far to \$15.67. US investors will begin to look to Friday's inflation data for near-term direction.

Currencies: FX markets were quiet yesterday as nations on both sides of the Atlantic released strong Manufacturing and Services PMI figures. EUR/USD is flat around 1.1930 this morning after the stronger than expected German IFO Business Climate results. The main Sterling pairs are remaining fairly subdued ahead of the BOE's release at noon, EUR/GBP and GBP/USD at circa 0.854 and 1.397 respectively.

Safe-havens: Gold has traded flat to marginally higher on the week so far, sitting around the \$1,780 mark after shedding over 5% of its value last week after the Fed release. Yields have moved slightly higher on the week so far, US 10yr higher to 1.5% and 2yr to 0.27% as markets begin to price in the Fed tapering off their current QE, a move in which the central bank would take some of their underlying bid out of the bond market and cause bonds to sell off and yields to rise, in theory.

Looking ahead: The main event of Thursday will be the Bank of England's June monetary policy release and interest rate decision, which will be followed in the early afternoon by the release of the US 'Final GDP' figure. Looking forward, on Friday we are due to see US Core PCE readings (the Fed's preferred inflation metric), expected at a month-on-month result of 0.6% vs last month's 0.7%.

Key Events to Watch

24/06/2021 - US 'Final GDP'

25/06/2021 - US PCE inflation index

01/06/2021 - US ISM Manufacturing PMI

02/07/2021 - US Non-Farm Payrolls

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,241 | -0.11% | 12.93% |
| DAX | 15,456 | -1.15% | 13.11% |
| EuroStoxx | 4,075 | -1.14% | 15.33% |
| ISEQ | 8,264 | -0.33% | 12.37% |
| FTSE | 7,074 | -0.22% | 9.74% |
| Nikkei 225 | 28,875 | 0.00% | 5.21% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.1925 | -0.11% | -2.22% |
| EUR/GBP | 0.8538 | -0.22% | -4.19% |
| GBP/USD | 1.3959 | 0.09% | 2.09% |
| USD/CHF | 0.9187 | 0.10% | 3.73% |
| USD/JPY | 119.09 | 0.27% | 7.35% |
| EUR/JPY | 132.30 | 0.17% | 4.98% |

| Fixed Income | Value | Daily Change |
|--------------|--------|--------------|
| US 10yr | 1.485 | 0.018 |
| US 2yr | 0.264 | 0.034 |
| Bund 10yr | -0.179 | -0.018 |
| Irish 10yr | 0.209 | -0.011 |
| Gilt 10yr | 0.782 | 0.002 |
| JGB 10yr | 0.052 | -0.004 |

Financial News Round Up

BOE Today

At noon today the Bank of England are due to release their latest rate statement and monetary policy update, there will be no new economic projections at this meeting, and policy changes are not expected by the market.

We note that recent comments made by a normally-dovish BOE committee member have kicked off some debate over the possibility of a BOE rate hike in 2022, and ahead of the Fed. We do not believe the central bank will look to say anything particularly new on the timing of rate increases - as of late the BOE has shied away from stating anything concrete about such a move.

Any announcement with regard to the tapering off of the bank's asset purchasing programmes will more likely come in August's monetary policy report, in our view. In August the BOE will also announce its updated economic projections, which we of course saw from the ECB and Federal Reserve earlier this month.

Markets are currently pricing in two BOE rate hikes by mid-2023, with the first of these as a partial hike which would bring the region's main interest rate from 0.1% to just 0.25%.

German IFO

German business confidence has this morning hit its highest levels since June 2018 as the country continues to ease public restrictions. The German 'IFO Business Climate' reading, which is based on surveyed manufacturers, builders, wholesalers, services, and retailers, came in at 101.8 for the month of June and versus forecasts for 100.8 and the previous 99.2.

This figure is generally looked at as a leading indicator of economic health in the region, with the data always coming from the current month. Economists at IFO stated that conditions in the retail sector were improving at their quickest rate since Germany's reunification in 1990.

ESRI

The Economic and Social Research Institute has released its latest quarterly survey, in which it projects the Irish economy will expand by a whopping 11% this year, mainly due to strong demand for exports. The Institute believes the recovery, which is already underway, will pick up more pace during H2. While growth in Ireland's domestic economy is expected at a lower 6.4%, exports of pharmaceutical products as well as computer services are the additional factors pushing the overall GDP growth forecasts up into the double digits. Unemployment is now expected to average at 16% in 2021, followed by just over 7% next year.

The ESRI estimates that the potential loss to the Irish economy due to the virus could come in at about €24 billion, based mostly on the output that would have otherwise occurred had there been no pandemic.