

# Daily Update

Your daily market news, moves  
and outlook



## SEASPRAY FINANCIAL

Wealth & Investment Management

### Friday, 25th of June

## Markets Outlook

**Equities:** Europe's main stock markets are roughly a quarter of a percent lower on Friday morning, after a choppy week or so for equities as Fed officials continue to comment on the timeline for monetary tightening. The S&P 500 and Nasdaq reached new all-time highs yesterday on the back of tech strength this week, as fears begin to mount over a possible end to the general reflation and cyclical trade. VIX traded through its lowest point since the beginning of the pandemic yesterday at 14.19, up to 16.00 this morning.

**Currencies:** FX markets have seen flat trade over recent sessions, on much lower volumes as we head into the traditionally quieter summer trading period. EUR/USD has bounced slightly this week, up to 1.194 as traders eagerly await inflation data from the US this afternoon, along with any comments from Fed officials over the coming trading sessions. The Pound has been flat to marginally stronger this week against its main peers after the BOE decided to keep monetary policy unchanged, as forecast. The BOE offered no new clues on the timing of rate hikes, GBP/USD steady on Friday at 1.39 while EUR/GBP sits at 0.856.

**Safe-havens:** Gold has found fair value around the \$1,770 - \$1,790 region after the Fed-induced sell-off across the metals space. Medium-long duration bond markets continue to believe inflation spikes are transitory, US and German 10 year's fairly steady at 1.49% and -0.17% respectively. The US 2yr yield broke up out of its year-long range last week to roughly 0.27% as markets priced in higher rates at the Fed in 2023.

**Looking ahead:** The main data point of the day will be the 'Core PCE' inflation reading out of the United States at 1:30pm Irish time, expected to come in at 0.6% m/m after last month's 0.7%. We will also see consumer sentiment data from the US this afternoon, not expected to have a big effect on markets. Next week the highlight will likely come on Friday in the form of Non-Farm Payrolls and Unemployment Rate data from the US.

## Key Events to Watch

25/06/2021 - US PCE inflation index

30/06/2021 - Chinese Manufacturing PMI

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        | 4,266  | 0.58%        | 13.59%     |
| DAX            | 15,589 | 0.86%        | 13.47%     |
| EuroStoxx      | 4,122  | 1.14%        | 15.95%     |
| ISEQ           | 8,389  | 1.51%        | 14.65%     |
| FTSE           | 7,109  | 0.51%        | 10.14%     |
| Nikkei 225     | 29,066 | 0.66%        | 5.91%      |

| FX      | Value  | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.1930 | 0.04%        | -2.19%     |
| EUR/GBP | 0.8567 | 0.34%        | -3.84%     |
| GBP/USD | 1.3922 | -0.27%       | 1.77%      |
| USD/CHF | 0.9175 | -0.13%       | 3.66%      |
| USD/JPY | 110.86 | -0.07%       | 7.30%      |
| EUR/JPY | 132.26 | -0.03%       | 4.96%      |

| Fixed Income | Value  | Daily Change |
|--------------|--------|--------------|
| US 10yr      | 1.499  | 0.014        |
| US 2yr       | 0.270  | 0.006        |
| Bund 10yr    | -0.186 | -0.007       |
| Irish 10yr   | 0.193  | -0.016       |
| Gilt 10yr    | 0.742  | -0.039       |
| JGB 10yr     | 0.050  | 0.001        |

## Financial News Round Up

### Biden's Infrastructure Plan

US President Joe Biden yesterday announced that the White House has struck an infrastructure deal with a bipartisan group of US Senators, the new plan will look to improve the country's roads, bridges, and broadband.

We must note that the \$579 billion infrastructure plan still faces further obstacles in Congress, as many conservative Republicans are likely to fight both the bipartisan agreement and the Democratic-written legislation.

Regardless of the legislation's future, this week's announcement was another positive moment for Biden, in our view. "This agreement signals to the world that we can function, deliver, and do significant things" said Biden, calling it "a huge day" for half of his economic agenda.

### Amazon

Amazon Prime Day took place on Monday and Tuesday of this week, the company stating that it was the largest two-day period ever for third-party sellers, growing more than Amazon's retail business.

The average Prime Day order this year looks to have come in at \$44.74, 18% lower in fact than during last year's same event which was delayed until October. Amazon themselves did not release official sales or growth results for the event, however Prime Day results were included in previous guidance from the tech giant in which they forecasted a 9% rise in adjusted EPS, 29% increase in EBITDA, and 29% increase in revenue for the second quarter.

Separately, but worth noting, the UK's regulator (Competition and Markets Authority) has this morning formally begun an investigation into both Amazon and Google, looking to determine whether the firms have done enough to prevent or remove fake reviews.

The shares are trading at the higher end of their near-one-year range at around \$3,450. While Amazon is not our preferred pick in the US large tech space, we do reiterate our 'buy' rating on this name, upgrading our price target to \$4,100, indicating over 18% of upside from last night's close. Amazon currently has a forward-looking P/E of 61 times, and is expected to grow its revenue by 15% on average per annum over the next 5 years.

### Natwest & Permanent TSB

It has emerged that the UK's Natwest Group may take a minority stake in Permanent TSB as part of a deal to sell a large part of its Ulster Bank unit's loan book and other assets to Permanent.

Permanent are reportedly exploring the option of acquiring roughly €9b of Ulster Bank's €20b loan book, a deal which would likely require about a €500m equity injection into the Irish bank.

During May, PTSB's chief executive Eamonn Crowley said that the bank would approach both the Irish Government and the stock market if needs be, in order to raise the necessary capital to purchase Ulster Bank loans.