

# Daily Update

Your daily market news, moves  
and outlook



SEASPRAY FINANCIAL  
Wealth & Investment Management

Thursday, 8th of July

## Markets Outlook

**Equities:** European equity indices are between 1.3% and 1.8% lower this morning ahead of the ECB's publication this afternoon, London's FTSE100 down 1.4% as we write. Futures in the States are trading about a percent lower, pushing the VIX up to \$19.30, its highest price since June 21st. Last night the Fed stated in their meeting minutes that while rising prices were expected, the jump in inflation was stronger than expected. Stock markets in Asia sold off overnight over worries of a Chinese regulatory clampdown as well as rising Covid cases.

**Currencies:** The Dollar is giving up some slight ground on Thursday after trading through its highest levels in three months yesterday vs the Euro, EUR/USD getting as low as 1.782. This greenback bid came after the Fed's minutes release indicated that the world's most influential central bank is edging towards tightening monetary policy. Euro investors will of course now look to the same release from the ECB later today for near-term direction.

**Safe-havens:** Bond yields are moving lower again on Thursday morning on both sides of the Atlantic after the Federal Reserve offered no concrete hints on the timelines of the tapering of their bond-buying. The benchmark US 10yr yield has moved below 1.27% for the first time since February, while the region's 2yr has fallen to 0.204% despite two rate hikes now fully expected in two years' time. Similar moves are taking place in Europe, Germany's 10yr yield moving lower after finding resistance at the top of its 24-month range (-0.33%). Gold has been supported by lower real yields over the past 24 hours, the metal reaching new 3-week highs at \$1,815.

**Looking ahead:** The ECB are due to release their June meeting minutes at 12:30pm this afternoon, after the Fed released the same last evening. ECB President Christine Lagarde will then speak at some stage this afternoon after the release, and is scheduled to speak again on Friday. Tomorrow we will also get a speech from the BOE Governor Bailey, and Canada's monthly jobs data.

## Key Events to Watch

08/07/2021 - ECB President Lagarde speaks  
09/07/2021 - Canadian Unemployment Rate  
13/07/2021 - US CPI Inflation  
14/07/2021 - UK CPI Inflation

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,358	0.34%	16.03%
DAX	15,692	1.17%	13.25%
EuroStoxx	4,078	0.64%	13.37%
ISEQ	8,343	0.34%	12.12%
FTSE	7,151	0.71%	9.43%
Nikkei 225	28,118	-0.88%	2.46%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1789	-0.28%	-3.37%
EUR/GBP	0.8540	-0.28%	-4.01%
GBP/USD	1.3800	0.01%	0.71%
USD/CHF	0.9253	0.13%	4.26%
USD/JPY	110.65	0.05%	6.47%
EUR/JPY	130.43	-0.26%	2.89%

Fixed Income	Value	Daily Change
US 10yr	1.323	-0.019
US 2yr	0.218	-0.001
Bund 10yr	-0.289	-0.020
Irish 10yr	0.090	-0.027
Gilt 10yr	0.594	-0.041
JGB 10yr	0.026	-0.004

## Financial News Round Up

### ECB Minutes

Just after noon on Thursday we will see the ECB releasing the minutes from their June monetary policy meeting, which will include details on the central bank's 18-month strategy review, redefining an inflation target and likely outlining what role it can play in fighting climate change. This strategic review will be the ECB's first since 2003.

Markets in general are expecting the European Central Bank to remain committed to delivering unwavering support, but importantly is expected to increase its inflation goal to an even 2%, a more explicit target than the previously used phrase: "below, but close to, 2% over the medium term". We expect the ECB will also allow some room for inflation to overshoot the 2% level when needed, similar to the Fed, since inflation levels have remained subdued and below this mark for an extended period now.

We also note that while inflation has undoubtedly picked up this year so far, Lagarde and her colleagues have repeatedly said that they expect it to subside to below their goal in the medium term.

### Grafton Group

Dublin-headquartered building materials firm Grafton Group plc have released their H1 earnings results, in what was a broadly positive update for the group.

Group revenue climbed over 46% from the same period one year ago, up to £1.55b, while it was also 19% higher than H1 of 2019.

"Grafton traded ahead of expectations in the first half and, despite some ongoing uncertainty caused by the pandemic and sector-wide supply chain pressures, the group has increased current year profit guidance for continuing operations supported by its market leading businesses and strong financial position" said CEO Gavin Slark.

The shares are almost a percent lower in London on the back of this release, trading down to £12.52 at the time of writing. Grafton, with its forward-P/E ratio of 17 times and current dividend yield of 1.15%, has seen gains of 35.5% so far in 2021.

### Capitalflow

Irish lender Capitalflow has been acquired by Dutch challenger Bank Bunq for an undisclosed fee, it has emerged this morning. Capitalflow, set up 5 years ago and led by CEO Ronan Horgan, employs about 60 people and has lent over €650m to a range of small and medium sized businesses around the country over the years. Horgan stated that this acquisition will give the firm improved access to funding at competitive rates, and would without a doubt increase its scale. Capitalflow's target is now to triple the size of its loan book to roughly €1.2 billion over the next three years.

Capitalflow, according to its latest accounts, made a profit of €232,753 in 2019, having recorded a loss of about €2.2m the prior year. The firm has reportedly made a loss in 2020 due to provisions booked as a result of the Covid impact on the economy in general.