

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: European stock markets are flat on Tuesday morning after a broadly positive start to the week yesterday. Futures in the US are pulling back marginally this morning, after the S&P 500 contract traded through a new all-time high overnight on the prospect of another strong earnings season, dragging the VIX volatility index lower to \$16.13 at the time of writing. The VIX has been subdued this month so far, after trading below \$14.20 at the end of June - its lowest price since February 2020.

Currencies: The Dollar has drifted upwards after its initial jump higher following the Fed release last month, Euro at \$1.1845 and Sterling at \$1.386 on Tuesday morning, as traders await inflation data from the US this afternoon and then the same from the UK tomorrow. The Dollar has been underpinned by the possibility of stimulus withdrawal in the US ahead of other regions, along with some concerns over the Delta variant spread.

Safe-havens: Gold is seeing quiet trade this morning, sitting at \$1,807 as traders await data releases from the States later today. Gold investors will closely watch today's inflation releases for any large beats or misses of expectations, along with bond prices and their reactions to the data. Yields have moved lower so far in July, both in mainland Europe and in the US. The US 10yr is currently flat at 1.37%, German 10yr at -0.30%.

Looking ahead: US CPI is due this afternoon at 1:30pm Irish time, expected to come in at 0.5% m/m vs the previous 0.6% result. At the same time we will see the Core CPI figure, which measures the same items minus food and energy, expected at 0.4% m/m vs the previous 0.7%.

Markets will then look to US PPI tomorrow along with Fed Chair Powell's speeches on Wednesday and Thursday.

Key Events to Watch

13/07/2021 - US CPI Inflation

14/07/2021 - UK CPI Inflation

15/07/2021 - Chinese GDP

16/07/2021 - US Retail Sales

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,384	0.35%	16.73%
DAX	15,790	0.65%	14.99%
EuroStoxx	4,093	0.62%	15.19%
ISEQ	8,193	-0.52%	11.13%
FTSE	7,125	0.05%	10.51%
Nikkei 225	28,718	0.52%	4.64%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1859	-0.11%	-2.91%
EUR/GBP	0.8541	-0.01%	-4.28%
GBP/USD	1.3880	-0.13%	1.47%
USD/CHF	0.9149	0.09%	3.43%
USD/JPY	110.35	0.12%	6.90%
EUR/JPY	130.86	0.01%	3.78%

Fixed Income	Value	Daily Change
US 10yr	1.368	0.005
US 2yr	0.226	0.010
Bund 10yr	-0.301	-0.009
Irish 10yr	0.104	-0.006
Gilt 10yr	0.643	-0.017
JGB 10yr	0.022	-0.002

Financial News Round Up

UK Banks

In the Bank of England's latest bi-annual Financial Stability Report (FSR) release this morning, the central bank has decided to scrap its pandemic-era curbs on dividends from UK banks and lenders. It said that its stress test showed the sector was well capitalised to cope with the fallout from Covid-19 on the economy.

The reports states that the large UK banks and building societies finished 2020 with an average CET1 capital ratio of 16.2%, which then remained flat during the first quarter of this year. This move by the BOE should allow banks in the area enough time to determine their dividend distributions and other capital return plans ahead of the interim results announcements at the end of this month.

This move follows a similar one from the Federal Reserve in June, when the US central bank said that its large banks would no longer face restrictions on how much they can spend in buying back stock and paying out dividends. At present, the ECB plans on lifting these same restrictions on its banks from October, barring a new economic dip.

BOE Governor Andrew Bailey alluded to the fact that the brisk pace of the vaccine rollout across Britain has led to an improvement in the economic outlook in recent months.

"But risks to the economy remain. Households and businesses are likely to need continuing support from the financial system as the economy recovers and the government's support measures unwind over the coming months" he said.

Irish Life

Irish Life have today announced they are set to buy Ark Life Assurance from ReAssurance Limited, part of Phoenix Group Holdings, for a total of €230m. The deal will see roughly 150,000 policies and €2.1 billion worth of assets move over to Irish Life.

This deal of course follows the signing of a new joint venture arrangement between Irish Life parent firm Great-West Lifeco and AIB to provide life and pension products to the bank's customers.

"Our ambition is to grow our business both organically and through acquisitions where we see a strong commercial and cultural fit. Our existing relationship with Ark Life means we are ideally placed to continue to offer excellent customer service for policy holders, including access to enhanced digital services" said Irish Life Group CEO Declan Bolger.

Ark Life was founded in 1991 as a subsidiary of AIB, and manages a range of pensions, protection, and savings policies for its existing customer base. The firm was then acquired by Phoenix of ReAssure last year.