

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: European stock markets have opened higher after a broadly negative session in Asia overnight, the main indices on the continent are between 0.50% and 0.75% higher after plunging by about 2.6% on Monday. The Delta variant has continued to fuel concerns about the return of restrictions and the implications for re-opening momentum, after a weekend of higher cases around much of Europe. The S&P500 and Nasdaq indices last night saw their heaviest drop since May, pushing the VIX volatility index above \$25 briefly before pulling back to \$20.80 this morning.

Currencies: The main currency pairs are flat on Tuesday, as economic data remains sparse and FX markets take a breather, for now. Sterling was on the back foot yesterday as England reopened and Johnson continues to isolate. PM Johnson also announced new policies such as requiring double vaccination to enter busy venues, from September on. The Dollar will likely be supported this week as the Delta variant remains very much in focus.

Safe-havens: Risk aversion was evident yesterday across bond markets, with yields falling as risk assets sold off and investors sought safe-haven assets. US 10yr at 1.180% on Tuesday, German 10yr back below -0.40% for the first time in over 5 months.

Looking ahead: Today and tomorrow will be very quiet in terms of economic data points. The ECB on Thursday are not expected to make any changes, however traders will be on standby for any volatility to come from the event. On Friday we are due to see Services and Manufacturing PMI releases from the Eurozone, UK, and then US in the afternoon.

In terms of earnings, later today we will see releases from Kone Oyj, Philip Morris, Netflix, and United Airlines, followed tomorrow by Nordea Bank, J&J, SAP, Novartis, Coca-Cola, Nasdaq Inc, ASML, Daimler, Verizon, and many more.

Key Events to Watch

22/07/2021 - ECB Rate Decision

23/07/2021 - UK Retail Sales

23/07/2021 - European PMIs

23/07/2021 - US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,258	-1.58%	13.38%
DAX	15,133	-2.62%	11.36%
EuroStoxx	3,928	-2.66%	11.84%
ISEQ	7,793	-3.20%	6.88%
FTSE	6,844	-2.34%	7.13%
Nikkei 225	27,388	-0.96%	-0.20%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1792	-0.17%	-3.51%
EUR/GBP	0.8627	0.52%	-3.29%
GBP/USD	1.3669	-0.69%	-0.19%
USD/CHF	0.9188	0.02%	3.77%
USD/JPY	109.53	-0.32%	6.20%
EUR/JPY	129.15	-0.49%	2.48%

Fixed Income	Value	Daily Change
US 10yr	1.207	-0.062
US 2yr	0.220	0.001
Bund 10yr	-0.394	-0.043
Irish 10yr	0.014	-0.020
Gilt 10yr	0.559	-0.067
JGB 10yr	0.007	-0.008

Financial News Round Up

Delta Fears

Equities across Europe have steadied on Tuesday morning, after the EuroStoxx600 index witnessed its worst sell-off of the year so far, as it traded 2.3% lower amid growing concerns about the rapidly spreading Delta variant and slowing economic growth. Risk sentiment was also not helped yesterday by falling oil prices, WTI Crude and Brent Crude losing between 6% and 7% each (down to \$66.60 and \$68.90 this morning, respectively) after OPEC+ nations agreed to raise output by 400,000 barrels a day.

Despite some recent negativity, many investors will have remained largely optimistic over the medium to longer-term outlook for the global economy and for markets, as they look at fundamentals that remain strong for many major nations. We believe that the underlying factors that drove risk assets higher during H1 are still present - the general global economic recovery is still in motion, earnings have been strong so far this year and are expected to report significant year-over-year growth during Q2, and of course monetary policy remains extremely accommodative.

Having said this, the next couple of months will be telling, with regard to normalising lives and economic activities, especially in regions such as England where the government has removed the last of its Covid restrictions. Watch this space.

UBS

Swiss multinational investment bank and financial services firm UBS Group reported its second quarter results this morning, posting a 63% surge in net profit. This reading has easily exceeded analysts' forecasts (\$2.01b vs \$1.34b expectations), after fee income jumped and asset prices increased at its private bank and asset management business.

While the economic recovery has spurred a jump in deal-making for the bank, revenue did fall by 14% in its global markets trading business. UBS flagged that lower y/y trading volumes could continue into Q3.

"We expect our revenues in the third quarter of 2021 to be influenced by seasonal factors, such as lower client activity levels compared with the second quarter of 2021", the banks outlook statement reads.

The group's share price benefited from the sharp rebound in financials during the first quarter, having moved 10.75% higher YTD now. UBS, trading at 13.80 Swiss Francs today, has a forward-looking P/E ratio of 7.9x and TTM P/E of 7.6x versus the industry average of 20.7x. The bank's dividend currently yields 2.54%, well covered by its earnings (payout ratio of just 19%).