



Friday, 23rd of July

Markets Outlook

Equities: Stock markets on the continent are about 0.70% higher again this morning, looking to finish the week in the green after Monday's relatively sharp sell-off. European markets were also supported yesterday by a dovish-sounding ECB, who decided to tie its new forward guidance on interest rates more closely to inflation, suggesting they aren't likely to rise any time soon. The Nasdaq outperformed other US indices yesterday after strong earnings results from tech names Twitter and Snap. VIX is lower to \$17.18 after spiking briefly to \$25 earlier in the week.

Currencies: The main currency pairs are mixed but quiet on Friday morning, EUR/USD having grinded lower in recent weeks to the 1.177 region. The Euro was somewhat weaker last night after a slightly more dovish than expected ECB, as attention now turns to next week's Federal Reserve meeting with regard to any Dollar pairs.

Safe-havens: Gold is marginally lower on the week, trading around the \$1,800 mark as it has broadly done for a few weeks now. The main government bond yields have been flat to lower this week, Europe's benchmark German 10yr looking to close the week below -0.40% for the first week since early February. In the US, the 10yr Treasury yields 1.29% on Friday, having recovered from below 1.14% earlier in the week.

Looking ahead: This afternoon we will see Canada release monthly retail sales results followed by Manufacturing and Services PMI readings from the United States after we got the same from Europe this morning. The likely highlights of next week will be the FOMC release on Wednesday, US GDP on Thursday and then key Eurozone GDP's on Friday. We will also see the US Core PCE result next Friday (the Fed's preferred inflation metric).

Key Events to Watch

- 23/07/2021 - US PMIs
- 28/07/2021 - Fed Rate Decision
- 29/07/2021 - US GDP
- 30/07/2021 - German GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,367	0.20%	16.28%
DAX	15,514	0.60%	13.72%
EuroStoxx	4,059	0.80%	14.85%
ISEQ	8,166	1.48%	11.30%
FTSE	6,968	-0.43%	8.49%
Nikkei 225	27,548	(Closed)	0.38%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1722	-0.17%	-3.58%
EUR/GBP	0.8547	-0.60%	-3.99%
GBP/USD	1.3773	0.46%	0.46%
USD/CHF	0.9191	0.18%	3.88%
USD/JPY	110.14	-0.11%	6.88%
EUR/JPY	129.66	-0.28%	3.05%

Fixed Income	Value	Daily Change
US 10yr	1.282	-0.010
US 2yr	0.201	-0.008
Bund 10yr	-0.425	-0.033
Irish 10yr	-0.025	-0.044
Gilt 10yr	0.573	-0.033
JGB 10yr	0.020	0.010

Financial News Round Up

PMIs This Morning

Activity in the Eurozone's services' sectors has expanded at its fastest monthly pace in over two decades this month as the loosening of more Covid-19 restrictions gave a boost to the sectors.

- Eurozone Manufacturing PMI: 62.6 vs 62.6 forecasts.
- Eurozone Services PMI: 60.4 vs 59.4 forecasts.
- German Manufacturing PMI: 65.6 vs 64.2.
- German Services PMI: 62.2 vs 59.4.
- French Manufacturing PMI: 58.1 vs 58.4.
- French Services PMI: 57.0 vs 58.7.
- UK Manufacturing PMI: 60.4 vs 62.3.
- UK Services PMI: 57.8 vs 62.1.

These PMI readings are a leading indicator of economic health in their respective regions, and take data from the current month. The data is derived from surveys of roughly 800 purchasing managers which asks respondents to rate the relative level of business conditions including employment, production, new orders, prices, supplier deliveries, and inventories.

US Airlines

Earnings results are indicating that airlines in the States are returning to profitability faster than their European counterparts as a result of generous government aid, along with a much bigger domestic market and a relatively quick vaccine rollout. Three of the four major US carriers saw a profit when they released Q2 results this week. United Airlines, the one to see a quarterly loss, said that it expected to return to profitability during H2 of this year.

These results stand in stark contrast to that of Europe's airlines, who have racked up record losses during the last year and a half as restrictions were imposed and demand plummeted. The US airline industry has benefited during the pandemic from billions of dollars of direct government support, whereas many European names did not receive any targeted aid beyond generic furlough schemes intended for the wider economy.

Irish Banks

News has emerged on Friday that Permanent TSB will potentially take over roughly €7.6b worth of Ulster Bank's business in the Republic, the Irish lender stating that it has entered into a non-binding Memorandum of Understanding with Ulster Bank's owner NatWest.

The assets in the deal would include Ulster Bank's performing non-tracker mortgage book, its performing SME/Business Direct business, the Lombard Asset Finance loan business of Ulster Bank, and also 25 of its branch locations.

"We see this as a once in a generation opportunity to fast-track the growth of an Irish bank with a strong community and customer service ethos that has evolved over its 200-year history. It also supports the investments we are making in the transformation of our in-branch and digital banking services" said Eamonn Crowley, CEO of PTSB.