

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 looking to finish the week marginally lower, the main indices are down between 0.50% and 1% on Friday morning. Each of the US' three main indices finished in the green last night, as investors contemplated more corporate results and a miss of expectations for US Q2 GDP yesterday. Futures have sold off overnight in the US, led lower by tech after Amazon lost 7% of its value in after-hours trade following its earnings release. VIX slightly higher this morning to \$19.20.

Currencies: The Dollar lost more ground yesterday on the back of disappointing GDP figures from the US, and of course a slightly more dovish Fed the previous day. EUR/USD and GBP/USD are now at 1.19 and 1.397 respectively, having traded higher basically all week.

Safe-havens: Gold gained 1.75% on Thursday following the Fed and Jerome Powell's comments the previous night, the precious metal rallying to an important point of resistance around \$1,830. Real yields on both sides of the Atlantic traded through record lows this week, the US 10yr real yield now at -1.15%, while the nominal sits at 1.24%. The Eurozone's 10yr real interest rate swap is at -1.65% this week.

Looking ahead: Today we will get earnings results from Aon, Caterpillar Inc, ExxonMobil, Procter & Gamble, AbbVie, Chevron, and a few smaller names. Next week will still be busy for earnings, the likes of HSBC, Heineken, Alibaba, BP, Sony, Toyota, General Motors, Moderna, Siemens, Allianz, and ING Group. Looking at data points, the highlight of this afternoon will be the US' Core PCE inflation reading, expected at 0.6% vs last month's 0.5%.

Key Events to Watch

30/07/2021 - US PCE Inflation

31/07/2021 - Chinese Manufacturing PMI

02/08/2021 - US ISM Manufacturing PMI

05/08/2021 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,419	0.42%	17.65%
DAX	15,640	0.45%	12.86%
EuroStoxx	4,116	0.33%	15.09%
ISEQ	8,385	0.43%	12.61%
FTSE	7,078	0.88%	8.58%
Nikkei 225	27,283	-1.80%	-0.59%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1886	0.37%	-2.63%
EUR/GBP	0.8511	-0.08%	-4.63%
GBP/USD	1.3961	0.45%	2.14%
USD/CHF	0.9062	-0.41%	2.34%
USD/JPY	109.46	-0.40%	6.13%
EUR/JPY	130.12	-0.02%	3.35%

Fixed Income	Value	Daily Change
US 10yr	1.266	0.028
US 2yr	0.204	0.000
Bund 10yr	-0.452	-0.005
Irish 10yr	-0.037	-0.012
Gilt 10yr	0.568	-0.008
JGB 10yr	0.016	-0.001

Financial News Round Up

Amazon

US tech behemoth Amazon last night disappointed Wall Street when it released lower than expected forecasts for its third-quarter sales, as customers make the return to in-store shopping rather than online. Shares in the company are trading over 6% lower in pre-market trade this morning, down to \$3,376 after last night's release could not live up to its extremely high expectations. The firm is expecting Q3 sales of between \$106b and \$112b, or to grow between 10% and 16%, while analysts had been forecasting for \$118.9b.

Net sales for Amazon came in at \$113.08 billion for the second quarter, up from \$88.9b one year prior, and with analysts expecting \$115.2b. EPS for the quarter was \$15.12 vs the expected \$12.22.

Amazon's cloud computing section, AWS, continued to see robust gains over the three-month period, and reported revenue of \$14.8b vs \$10.8b the year before.

When we take the pre-market move into account, the stock is up just 3.6% YTD, albeit seeing gains of over 76% during 2020 as it benefited hugely from the pandemic. Amazon trades at what can only be described as lofty valuations: at last night's close the stock had a forward-looking P/E of 62.4 times, and has price to book ratio of 17.6 times versus the industry's 5.5x. In this regard, Microsoft remains to be our house view in terms of large US tech names, for more information please contact info@seasprayfs.ie

Eurozone GDPs

Following the US Q2 GDP reading of 6.5% vs 8.5% expectations yesterday, we have this morning seen results which indicate the Eurozone economy has rebounded by 2.0% over the course of Q2, versus forecasts for just 1.5%, the region's first positive q/q reading since Q3 2020.

Looking at the main components of this morning's result, Europe's largest economy Germany actually saw a miss of q/q GDP expectations when it reported 1.5% vs 2.0% forecasts. Italy saw 2.7% growth vs 1.3%, Spain 2.8% vs 2.1%, and France 0.9% vs 0.8%. Notably, holiday destination Portugal witnessed a 4.9% increase.

The EU's official data agency Eurostat also stated that inflation in the region reached 2.2% during the quarter, above the ECB's new 2% target and driven by both higher energy costs and congested supply chains.

Airlines

This morning we saw some important earnings releases from airlines across Europe, with International Consolidated Airlines Group (IAG) and Air France-KLM reporting.

IAG has announced that passenger capacity levels for the three months were just 21.9% of the levels it witnessed in Q2 2019, and it now estimates levels will reach around 45% in the current quarter. The firm's losses came in at €2.03b for H1 of this year, less severe than the €4.05b hit it took during the same period last year. The stock is trading over 6% lower in London to £1.70, now up just 6.4% YTD.

Air France-KLM saw losses of €1.5b during the second quarter, compared to the €2.6b loss it had in H1 2020. Revenues however did more than double for the period to €2.75b, up from the previous €1.2b as passenger numbers jumped from 1.13m one year prior to 5.85m. The shares are 2.3% lower to €4.01, down almost 22% YTD.