# Daily Update

*Your daily market news, moves and outlook*

SEASPRAY FINANCIAL

Wealth & Investment Management

**Friday, 10th of September**

## Markets Outlook

**Equities:** European risk assets have reacted quite well to the ECB's release yesterday, edging higher this morning after a broadly flat session on Thursday. The main indices on the continent are between 0.25% and 0.50% higher today as they look to undo some of the losses from earlier in the week. In the States, the VIX volatility index sits at $17.60 at the time of writing, marginally higher on the week.

**Currencies:** The Euro was mixed but relatively subdued yesterday following the ECB, losing some ground versus Sterling (EUR/GBP at 0.853) but gaining marginally against the Dollar (EUR/USD at 1.184). No surprises came from the central bank, we expect Euro volatility to remain low for now. Attention will slowly begin to shift to the Federal Reserve meeting on September 21st and 22nd and what this will mean for the world's reserve currency. All eyes will be on Powell as markets look for an update in the timing of the Fed's stimulus withdrawal.

**Safe-havens:** Gold and silver are both flat on Friday at $1,799 and $24.18, having seen some small gains yesterday following the ECB. US Treasuries have seen a very quiet week, the benchmark 10yr is flat over the past 5 days at a yield of 1.327%. In Germany, yields are higher this week once again (10yr at -0.34%), as traders anticipate a slight tapering of the ECB's bond-buying during Q4.

**Looking ahead:** This afternoon we are due to get both Canadian jobs data and also the US PPI (Producer Price Index) at 1:30pm Irish time, in what is otherwise set to be a relatively quiet day on the economic data front. Next week we will see US CPI inflation readings on Tuesday, followed by the same from the UK the following day. Chinese and US retail sales are also due on Wednesday and Thursday respectively, followed by a quiet end to the week.

## Key Events to Watch

10/09/2021 - US PPI
14/09/2021 - US CPI
15/09/2021 - UK CPI
16/09/2021 - US Retail Sales

## Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|---|---|---|---|
| S&P 500 | 4,493 | -0.46% | 19.63% |
| DAX | 15,623 | 0.08% | 14.06% |
| EuroStoxx | 4,177 | 0.00% | 18.06% |
| ISEQ | 8,726 | 0.20% | 18.17% |
| FTSE | 7,024 | -1.01% | 9.12% |
| Nikkei 225 | 30,381 | 1.25% | 10.70% |

| FX | Value | Daily Change | YTD Change |
|---|---|---|---|
| EUR/USD | 1.1825 | 0.10% | -3.06% |
| EUR/GBP | 0.8545 | -0.36% | -4.40% |
| GBP/USD | 1.3835 | 0.49% | 1.43% |
| USD/CHF | 0.9168 | -0.56% | 3.55% |
| USD/JPY | 109.70 | -0.48% | 6.52% |
| EUR/JPY | 129.72 | -0.38% | 3.26% |

| Fixed Income | Value | Daily Change |
|---|---|---|
| US 10yr | 1.297 | -0.039 |
| US 2yr | 0.214 | -0.004 |
| Bund 10yr | -0.370 | -0.050 |
| Irish 10yr | 0.025 | -0.054 |
| Gilt 10yr | 0.733 | -0.010 |
| JGB 10yr | 0.039 | 0.007 |

## Financial News Round Up

### *ECB Yesterday*

On Thursday we saw the latest monetary policy release from the European Central Bank, with markets reacting positively as the release brought no surprises. The central bank announced plans to reduce its Pandemic Emergency Purchase Programme (PEPP) during Q4, while not actually providing any concrete figures for the public as of yet. The programme includes €80 billion worth of asset purchases per month at present, we expect this first tapering step to bring monthly buys down to between €60b and €70b.

"The Governing Council judges that favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under the PEPP than in the previous two quarters" the bank's statement reads.

In terms of the ECB's updated economic projections for the Eurozone, which only come at every second meeting and will be updated once more this year in December, the economy is now expected to grow by 5% this year (vs previous forecasts for 4.6%). Next year, the ECB is now expecting growth of 4.6% versus previous forecasts for 4.7%, with its view for 2023 unchanged at 2.1%. In terms of inflation, the central bank estimates a 2.2% rise for 2021, with a drop to 1.7% next year and then 1.5% the year after. ECB President Lagarde noting that "In the medium term, inflation is foreseen to remain well below our 2% target".

The bank's deposit rate, currently at an all-time low of -0.50%, is set to remain at this level or perhaps even lower until the ECB sees inflation hitting its 2% target well before the end of its projection horizon.

### *UK GDP*

This morning we saw the United Kingdom's m/m GDP figure for July come in at 0.1% versus forecasts for 0.5% and the prior month's 1.0%. July's result is the lowest monthly figure for the region since January's -2.9% reading, indicating that the Delta variant has had a definite effect on the nation.

Earlier in the week we did see the BOE Governor Andrew Bailey state that he saw a levelling-off in the recovery taking place, as labour shortages, global supply chain issues, and Brexit all disrupt the region's economic recovery.

### *Inflation in Ireland*

According to the latest CSO (Central Statistics Office) data, Ireland reached 10-year inflation highs last month driven by a rise in the costs of transport, housing, and hospitality. Consumer prices were 2.8% higher in the year to the end of August, which is the highest since November 2011.

The sectors that saw the largest price jumps included transport (+10.2%), housing, water, electricity, gas and other fuels (+7.3%), hospitality (+3.4%), and alcoholic drinks and tobacco (+2.4%).

It is worth noting that within the housing sector, rents rose by 4.5% over the period, while the cost of mortgage interest was 2.1% higher.

Inflation has steadily increased for 10 consecutive months in Ireland, the longest run since 2007.