

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Tuesday, 28th of September

Markets Outlook

Equities: Stock markets are between 0.9% and 1.4% lower across the continent on Tuesday morning, traders continue to digest the inconclusive result from Germany's election over the weekend. Asia saw a mixed session overnight, property developers rallied in China on the back of reassuring comments from Sunac. Evergrande fears have eased, PBoC has vowed to protect consumers from a potential fallout. The VIX is slightly higher to \$20.40 on Tuesday.

Currencies: EUR/USD is grinding lower today, and edging towards major support around 1.66 which if broken would result in its lowest levels in nearly a year. Similarly GBP/USD is weaker this morning to 1.366, boosted by rising Treasury yields in the US as investors position for the Fed tapering its bond-buying programme this year after last week's meeting.

Safe-havens: Bond yields rose again on Monday on both sides of the Atlantic as traders continue to price in a more hawkish Fed and ECB. The benchmark US 10yr reached a yield high of 1.55% yesterday for the first time since mid-June, US 2yr at 0.314% for the first time in 18 months as markets price in US rate hikes within the next two years. Germany's 10yr bond, while still in negative territory, has seen its yield boosted over the last 6 weeks from -0.50% to the above -0.20%.

Looking ahead: Tuesday looks set to be quiet in terms of data releases, we will however hear from a few Federal Reserve officials throughout the afternoon, namely the Chairman Jerome Powell at 3pm Irish time. Powell will speak again tomorrow, as will the ECB's Lagarde and BoE's Bailey, each around 5pm. The main data points of the week will come on Friday, as the US and Eurozone release monthly inflation results.

Key Events to Watch

28 & 29/09/2021 - Fed Chair Powell speaks
29/09/2021 - ECB's Lagarde speaks
01/10/2021 - US Core PCE Inflation
01/10/2021 - US Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,443	-0.28%	18.29%
DAX	15,573	0.27%	12.70%
EuroStoxx	4,165	0.17%	16.01%
ISEQ	8,655	-1.15%	16.33%
FTSE	7,063	0.17%	8.86%
Nikkei 225	30,183	-0.19%	9.98%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1694	-0.25%	-4.36%
EUR/GBP	0.8535	-0.48%	-4.31%
GBP/USD	1.3695	0.19%	-0.01%
USD/CHF	0.9256	0.10%	4.90%
USD/JPY	111.00	0.20%	7.79%
EUR/JPY	129.78	-0.06%	3.09%

Fixed Income	Value	Daily Change
US 10yr	1.491	0.026
US 2yr	0.279	0.004
German 10yr	-0.225	0.003
Irish 10yr	0.173	0.033
UK 10yr	0.954	0.032
Japanese 10yr	0.069	0.015

Financial News Round Up

US Debt Ceiling

Yesterday we saw two Federal Reserve officials make comments that a failing to increase the debt ceiling in the US would have disastrous consequences as Republicans in the Senate blocked a bill to increase the borrowing limit and avoid a government shutdown.

The President of the Federal Reserve Bank of New York, John Williams, last night claimed that the central bank would be unable to mitigate the impact of a potential default on the US government's debt. Williams added that there is a real risk that investors could become "extremely nervous" and liquidate positions, which could lead to an "extreme kind of reaction in markets".

"If you actually crossed that line and got to a place where the government wasn't paying off its obligations, I think it would create a very negative dynamic not only in the US but around the world" said Williams.

We note that the Washington-based 'Bipartisan Policy Center' recently stated that the US government could default on its obligations as soon as mid-October should the debt ceiling not be raised sometime soon.

On Monday we also saw Federal Reserve Governor Lael Brainard urging lawmakers to act, reminding Congress that it needs to step up and fulfill its responsibilities.

Meanwhile, we are seeing Democrat lawmakers rushing to solve internal party divisions in order to pass Biden's \$1.2 trillion infrastructure bill and a \$3.5 trillion social investment package over the next few weeks.

Oil Prices

Oil prices are roughly another 1% stronger on Tuesday morning, having already rallied by between 9% and 11% so far in September.

Brent Crude has this morning traded through \$80 for the first time in 3 years while WTI Crude futures are flirting with their highest prices since 2014 around \$76, as market participants eye up the prospects of widespread fuel shortages as we head into Q4.

Looking at China, the world's second biggest economy, the nation has seen a widespread push to cut down on pollution from heavy industry, which has led to lower fuel production and has caused a sharp rally in energy prices across the region. The country's clean energy drive, part of its effort to reduce an annual choking haze as Beijing prepares to host the Winter Olympics in February, has led to power outages. This in turn is expected to cause many industries to shift to using oil to generate power, at least for the time being.

We have also seen a fuel supply crisis in the United Kingdom this month, caused in part by a shortage of fuel transportation workers, which has left motorists queuing for petrol and stations running out after a flood of panic-buying.