Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL

Wealth & Investment Management

Wednesday, 29th of September

Markets Outlook

Equities: Risk assets in Europe are about 0.8% stronger on Wednesday morning, rebounding somewhat from yesterday's losses, but equity investors continue to keep a close eye on rising Treasury yields and weigh up what further rises could mean for stock valuations. S&P 500 futures are this morning roughly 4% off their all-time high, set at the start of the month, this latest sell-off having pushed the VIX to $24.80 yesterday and $22 this morning.

Currencies: The Euro has traded its lowest prices in 11 months this morning vs the Dollar, now below the 1.66 mark. Similarly, GBP/USD (cable) is selling off on Wednesday, trading at 1.35 for the first time since January of this year. Investor concern is growing on multiple fronts, causing a bid in the world's reserve currency: namely increasing Treasury yields, Fed tapering this year, the US debt ceiling, and Chinese but also global growth concerns.

Safe-havens: Gold moved lower again yesterday on the back of the bond sell-off, the metal trading as low as $1,727 for the first time in 7 weeks. Bond yields are lower in both Europe and the US on Wednesday, undoing much of yesterday's move. US Treasury yields have still moved noticeably higher over the last couple of weeks, the benchmark 10yr now back above the 1.5% mark.

Looking ahead: This afternoon we will see ECB President Lagarde, BoE Governor Bailey, and Fed Chair J Powell all speaking virtually at the ECB's Forum on Central Banking. Investors will also pay close attention to this afternoon's weekly US Crude Oil Inventory figure. Overnight tonight we are due to get PMI data out of China, followed by the US 'Final GDP' result tomorrow afternoon (not expected to move markets).

Key Events to Watch

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	4,352	-2.04%	15.88%
DAX	15,248	-2.09%	12.31%
EuroStoxx	4,058	-2.56%	15.37%
ISEQ	8,491	-1.90%	15.64%
FTSE	7,028	-0.50%	9.63%
Nikkei 225	29,544	-2.12%	7.65%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1681	-0.11%	-4.47%
EUR/GBP	0.8628	1.09%	-3.48%
GBP/USD	1.3534	-1.18%	-0.98%
USD/CHF	0.9292	0.39%	4.95%
USD/JPY	111.50	0.45%	7.86%
EUR/JPY	130.24	0.35%	3.05%

Fixed Income	Value	Daily Change
US 10yr	1.546	0.055
US 2yr	0.305	0.025
German 10yr	-0.198	0.028
Irish 10yr	0.200	0.027
UK 10yr	0.996	0.038
Japanese 10yr	0.062	-0.005

Financial News Round Up

Investor Concerns

Stock markets sank on Tuesday across the globe, with the technology sector leading the move lower as investors nervously eyed a swift increase in US Treasury yields. The tech-heavy Nasdaq100 index in the States in fact saw its worst intra-day sell-off since March, shedding circa 2.8% of its value during the session. Rising longer-term bond yields have placed some pressure on tech and other growth-related shares, while names more sensitive to the economic cycle have also succumbed to selling pressure, albeit at a less severe rate.

Yesterday we saw the release of a monthly consumer confidence figure from the US, a data point that would not usually have a significant impact on prices. The result came in at a weak 109.3 versus the previous 115.2 and forecasts for the same, adding to selling pressure.

In addition to this, we are beginning to see larger concerns growing in the minds of equity investors recently. A chief concern is undoubtedly a Federal Reserve asset-purchase tapering which would look to begin this year just as the US economy is beginning to slow, but also would be swift and would finish around the middle of next year according to the latest communication from the central bank. This has sparked some worries that the tapering may be more sharp and less drawn out than was previously priced in.

As markets price in this hawkish turn by the Federal Reserve, along with lingering inflation in the US and other regions, bonds have sold off causing yields to rise relatively quickly over the past couple of weeks. Meanwhile, a surge in energy prices has started to convince investors that inflation will last longer than central bankers had previously expected, and will remain at these currently elevated levels for months to come.

As well as the above-mentioned market fears, we also have an ongoing political situation in the US, where if lawmakers fail to come together and act, we could see negative implications to the US economy with regard to the country's debt ceiling and ability to repay. We believe Congress will swiftly address the debt limit, and avoid what would be America's first ever default.

Irish Retail Sales

Yesterday we saw the release of Irish Retail Sales figures from the Central Statistics Office (CSO), indicating that the nation saw a 3.5% rise during August after July's brief dip. Volumes came in 6% higher than the same time last year, and were impressively 14.8% stronger than in August 2019.

The CSO stated that when compared with the pre-pandemic results of August 2019, most sectors have seen higher sales this time around, with the largest increases coming in Motor trades, Electrical Goods, and Department Stores. Two sectors did however have lower sales volumes, with Bar sales unsurprisingly coming in 27.6% lower than two years ago, while sales of Books, Newspapers, and Stationary were 13.4% lower.

The proportion of retail sales transacted online (from Irish registered companies) was 4.9% over the month, up marginally from July's 4.8% and August 2020's 4.5%.