

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL
Wealth & Investment Management

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Markets Outlook

Equities: There is a slightly firmer tone to stock markets across the continent on Monday morning, the EuroStoxx50 index moved marginally lower last week for the first time in 7 weeks. Investors remain aware of the worsening Covid situation in Europe, Austria for example have now entered a 10-day full lockdown, with concerns growing that Germany and others may follow suit. In the States, futures are following European equities higher, with the S&P 0.3% stronger and VIX at \$18.08 at the time of writing.

Currencies: EUR/USD looks like it could be set to move lower again this week, the world's most traded currency pair has opened on Monday morning roughly 0.15% weaker to 1.127. The Euro weakness has come as the ECB look likely to be well behind the Fed in terms of hiking rates in the coming years, but has also been accelerated in recent weeks by the prospect of a fourth lockdown across much of the region. EUR/GBP has painted a similar picture, having recently traded below 0.84 for the first time in 21 months. FX traders may look to tomorrow's PMI releases for some near-term direction in markets.

Safe-havens: Gold pulled back slightly last week, traders are conscious that the Fed may have to turn more hawkish should inflation continue to rise in the US. The precious metal is at \$1,847 to kick off the week.

Oil prices traded through 7-week lows overnight, Brent Crude now 8.5% off the high put in at the end of October. Speculation continues to build over nations releasing some of their oil reserves in order to dampen prices, while demand may also weaken given the worsening virus spread as we ease into winter.

Key Events to Watch

23/11/2021 - European & US PMIs

24/11/2021 - US GDP

24/11/2021 - US Core PCE

24/11/2021 - Fed Meeting Minutes

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,697	-0.18%	25.08%
DAX	16,159	-0.38%	17.79%
EuroStoxx	4,356	-0.62%	22.63%
ISEQ	8,282	-0.25%	12.29%
FTSE	7,223	-0.45%	11.81%
Nikkei 225	29,774	0.09%	8.49%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1289	-0.70%	-7.70%
EUR/GBP	0.8389	-0.42%	-6.10%
GBP/USD	1.3452	-0.27%	-1.67%
USD/CHF	0.9281	0.23%	5.08%
USD/JPY	113.98	-0.23%	10.65%
EUR/JPY	128.66	-0.95%	2.13%

Fixed Income	Value	Daily Change
US 10yr	1.548	-0.039
US 2yr	0.513	0.011
German 10yr	-0.341	-0.061
Irish 10yr	0.145	-0.043
UK 10yr	0.880	-0.043
Japanese 10yr	0.068	-0.002

Financial News Round Up

The Week Ahead

Markets may be in for some increased volatility, at least during the first half of this week as we see some important data releases due in the coming days. Investors this side of the Atlantic will of course be closely monitoring the deteriorating Covid situation here, although we must point out that with each wave of the virus there is less of an impact on financial markets, understandably. While certain industries have come under some pressure lately, markets in general are forward-looking and are often more concerned with possible future developments rather than the here and now.

Monday does not have any major data points to note, however Tuesday and Wednesday will be much busier in terms of economic releases. Tomorrow morning we are due to see Eurozone and UK Services and Manufacturing PMI results for the month of November, which will be followed by the same from the States during the afternoon session. Market participants will be keen to see if the slowdown in the pace of growth continues for each of these areas.

Moving on to Wednesday, the Reserve Bank of New Zealand will publish its latest rate decision and monetary policy report in the early hours of the morning. This will be followed by Business Sentiment data from Germany and then the US' third-quarter GDP release that afternoon (expected at 2.2% q/q). Another important piece of data due to come from the US on Wednesday will be the country's 'Core PCE' inflation reading, forecast at 4.1% y/y for October, Core PCE has been unchanged at 3.6% since June. Finally, the Fed will also be releasing the minutes from their November meeting at 7pm Irish time, on Wednesday.

Stock and bond markets in the United States will close on Thursday in observation of the Thanksgiving Day holiday. American markets will also close early on Friday, we expect to see significantly reduced levels of volatility toward the end of the week, even in other regions such as Europe and Asia.

Bank Stocks

Bank stocks around the globe are on track for their strongest year since in the wake of the financial crisis, benefiting from expectations of higher borrowing costs as policymakers battle rising inflation. The MSCI World Banks index, which is measured in Dollars, has gained about 30% so far this year vs the circa 20% rise from the regular all-sector MSCI World index. Banks have not registered such a performance since 2009, when the same financials-based index increased by more than a third.

Banks in the United States in particular have been supported in recent months, as healthy volumes in their trading businesses and extraordinary deal advisory activity has boosted share prices. One measure of the industry in the US, the KBW Bank index, has surged by just shy of 40% this year, a sharp contrast from 2020 when it lost 14% of its value over 12 months as central banks cut rates to record lows.

According to some research that we have come across in recent days, a rise of 1 percentage point by both the ECB and Federal Reserve would send US banks' earnings up by 17% and their European counterparts up by a quarter. Definitely one to keep an eye on as we head for 2022 and certain central banks look to raise rates.