

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Equities: European stock markets are opening lower this morning, as investors digest the European Central Bank's larger-than-expected interest rate increase ahead of the release of fresh survey growth data. The ECB raised interest rates by 50 basis points to zero percent on Thursday, its first hike in 11 years, ending a policy of negative interest rates that had been in place since 2014. The hike was more than the 25 basis points increase that ECB President Christine Lagarde guided towards at the central bank's June meeting, suggesting that the policymakers have become very concerned about inflation, with Eurozone CPI now at a record annual 8.6%, even at the expense of growth in the region. Wall Street's main indexes rose on Thursday boosted by a late-afternoon rally and gains in heavyweight growth stocks.

Energy: Oil prices climbed overnight, rebounding from previous declines amid supply tightness and geopolitical tensions, even though weakened demand in the USA has cast a shadow on the market this week. Brent crude futures rose 1.6%, to \$105.47 a barrel. Until proven evidence for softened demands comes into sight, the (Ukraine) war-intensified supply shortage will keep the oil prices staying strong.

Key Events to Watch

- 22/07/2022 - European & US PMIs
- 25/07/2022 - German IFO survey
- 26/07/2022 - US consumer confidence
- 27/07/2022 - US FED funds rate setting

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 3,999 | 0.99% | -16.10% |
| DAX | 13,247 | -0.27% | -16.61% |
| EuroStoxx | 3,597 | 0.31% | -16.33% |
| ISEQ | 6,561 | 0.59% | -22.30% |
| FTSE | 7,271 | 0.09% | -1.54% |
| Nikkei 225 | 27,915 | 0.40% | -3.05% |

| FX | | | |
|---------|--------|--------|---------|
| EUR/USD | 1.0206 | -0.21% | -10.28% |
| EUR/GBP | 0.8520 | -0.07% | 1.43% |
| GBP/USD | 1.1979 | -0.12% | -11.52% |
| USD/CHF | 0.9675 | 0.10% | 6.11% |
| USD/JPY | 137.70 | 0.26% | 19.71% |
| EUR/JPY | 140.56 | 0.03% | 7.40% |

| Fixed Income | | |
|---------------|-------|--------|
| US 10yr | 3.072 | 0.000 |
| US 2yr | 3.123 | 0.028 |
| German 10yr | 1.177 | -0.048 |
| Irish 10yr | 1.801 | -0.036 |
| UK 10yr | 2.046 | -0.002 |
| Japanese 10yr | 0.221 | -0.016 |

Friday, 22nd of July

Currencies: The euro rose against the U.S. dollar in a choppy session on Thursday, after the ECB delivered a 50 basis points rate hike to tame inflation in its first rate increase since 2011. The ECB raised its benchmark deposit rate to 0%, breaking its own guidance for a 25 basis points move as it joined global peers in jacking up borrowing costs. The euro was 0.17% higher at \$1.0198 after rising as high as 1.0279, its strongest in nearly two weeks. FX traders have also been watching closely developments in Italy, as Prime Minister Mario Draghi resigned on Thursday after his national unity government fell apart, setting the country on course for an early election and hitting financial markets. Meanwhile, the U.S. dollar was 0.4% lower against the Japanese yen at 137.77 yen, after the Bank of Japan stuck as expected to its ultra-easy policy setting. The British pound was down 0.04% against the greenback at \$1.1964 with traders watching the race to replace Boris Johnson as British prime minister.

Looking ahead: Today the key German manufacturing PMI release is expected to fall to 50.6 in July from 52.0 the previous month, remaining barely in expansion territory. Elsewhere we expect results from Verison, Amex and Schlumberger. Next week the focus will be on the Fed who is expected now to raise rates by 0.75% and not 1% as previously flagged.

Financial News Round Up

Frasers Group

Sports Direct's parent firm, Frasers Group, has swung to a bumper profit for the past year and expects this to surge further, despite warning over the cost of living and supply chain pressures. The Mike Ashley-founded business hailed a strong performance despite a "significant increase" in running costs. The company, which also runs House of Fraser and Game stores, saw adjusted pre-tax profits jump to £344.8million for the year to April, compared with a £39.9 million loss in the previous year. It lifted its targets for the current financial year, telling shareholders on Thursday morning that it expects to post an adjusted pre-tax profit of between £450 million and £500 million over the current financial year. The shares are down 2.53% in early trade.

JD Sports

The UK's largest sportswear retailer JD Sports Fashion has announced this morning that it expects annual profit to be in line with last year's record performance on strong demand for athleisure apparel and sportswear. The company reported a profit before tax of £654.7 million for the year ended Jan 29. It also said total sales which included leading brands like Nike, Adidas and Puma, for the first five months of the year in its like-for-like businesses remains 5% ahead of the same period last year. The company also said earnings in the current year would reflect a more normalised trading pattern with about 35% to 40% of the profits generated in the first half. The shares are down 0.71% in early trade.

Irish Banks

The main Irish banks, BOI and PTSB, have indicated overnight that they are holding off, for now, on increasing variable or new fixed mortgage rates, following the European Central Bank's (ECB) decision on Thursday to hike official borrowing costs for the first time in more than a decade. However, the rates on some €25 billion of tracker loans, which are contractually linked to the ECB's main lending rate that has risen to 0.5 per cent from zero, will automatically increase in the coming weeks. This will affect about 300,000 borrowers.

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