Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL

Wealth & Investment Management

Markets Outlook

Tuesday, 4th of April

Equities: Stocks on the continent continue to climb on Tuesday morning: Germany's DAX, France's CAC, and Spain's IBEX are all between 0.5 - 0.9% higher as we write.
US indices have seen fairly robust rallies over the last few weeks, with the S&P 500 bouncing over 8% from its mid March banking-induced low point. One strong performer has been the technology sector - this is partially due to the natural recovery from such poor performance from the sector last year. But there is also a growing view out there that high-quality growth stocks with lower debt are immune to the potential oncoming credit crunch.
It is worth noting that the rally YTD in the US market has been very narrow, with just 10 stocks accounting for over 95% of the entire return YTD in the S&P 500 - all 10 of these are tech-related businesses. It is encouraging to see the tech sector bounce in price after what was a difficult 2022, and after a short period of cost reductions and lay-offs for many of these companies.
However, we remain vigilant and stand ready to take advantage of any further pullbacks over the next few months.

Other markets: Oil prices jumped on Monday after an unexpected supply cut from OPEC+, renewing some fears over persistent headline inflation over the summer months. Brent Crude is up to $85.50 and WTI Crude to $81.00. Both contracts are now at strong resistance points on the charts.
Bitcoin has traded sideways in recent weeks around 28k, and is up almost 70% YTD, in dollar terms. Precious metals have benefitted lately from banking worries and increased bets on Fed rate cuts. Gold is at $1,998.

Looking ahead: We are in a slightly quieter week for economic data - some market participants may now begin to turn their attention to the Q1 corporate earnings season which is due to kick off in about one week. Large US investment banks will start proceedings towards the end of next week - and for obvious reasons these releases will be heavily scrutinized.
This morning we will see Eurozone PPI for February, followed by monthly 'Job Openings' data from the States. The Reserve Bank of New Zealand will also release overnight. More jobs data is due from the US again tomorrow and then finally the region's Non-Farm Payrolls and Unemployment Rate will come on Friday afternoon. Markets on both sides of the Atlantic however will remain closed this Friday.

Key Events

05/04/2023 - Irish Services PMI
05/04/2023 - US ISM Services PMI
07/04/2023 - US Non-Farm Payrolls
07/04/2023 - Good Friday

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,124	0.37%	7.42%
DAX	15,580	-0.31%	11.90%
EuroStoxx 50	4,311	-0.09%	13.64%
ISEQ	8,253	-1.05%	16.10%
FTSE 100	7,673	0.54%	2.97%
Nikkei 225	28,287	0.35%	8.35%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0895	0.85%	1.84%
EUR/GBP	0.8775	-0.20%	-0.71%
GBP/USD	1.2411	1.02%	2.60%
USD/CHF	0.9124	-0.58%	-1.22%
USD/JPY	132.41	-0.72%	1.24%
EUR/JPY	144.23	0.11%	3.10%

Fixed Income	Value	Daily Change
US 10yr	3.415	-0.107
US 2yr	3.969	-0.132
German 10yr	2.241	-0.044
Irish 10yr	2.704	-0.038
UK 10yr	3.429	-0.061
Japanese 10yr	0.389	0.022

Financial News

Commercial Property

News broke yesterday that the ECB is now pushing for a clampdown on commercial property funds. A move like this would of course reduce the risk of a potential downturn in the €1 trillion sector from triggering a liquidity crisis if investors all rushed to get their money at once. This comes after the MSCI Europe Real Estate index dropped by 14% during March to trade its lowest prices since 2009. It also reflects growing concerns among regulators around the globe that the recent problems seen in the regional US banking sector could intensify strains that are already present in the commercial property market.
ECB officials yesterday spoke about the liquidity mismatch that can arise when funds allow individuals to withdraw their money on short notice. "Policies should be developed to address the structural vulnerabilities" of these open-ended property funds, "given the risks they pose to commercial real estate markets and wider financial stability".
In its report, the ECB also said funds should reduce the frequency at which investors can withdraw monies, requiring longer notice periods and possibly also bringing in longer minimum holding periods. Redemption fees were also proposed by the central bank, to limit further outflows at this time.

RBA

The Reserve Bank of Australia surprised some analysts in the early hours of this morning when it opted to leave rates in the region unchanged at 3.60%. The central bank had hiked rates for 10 consecutive meetings, with Australia's cash rate reaching its highest point since mid-2012 when the RBA was still in easing-mode. Some further tightening of policy "may well be needed" to bring inflation down to its 2-3% target. Q4 CPI was at a multi-decade high of 7.8% y/y, with the Q1 figure due to be published later in April.
This pause from the RBA comes as the bank wants additional time to assess the impact of recent rate hikes as its economy starts to slow amid global uncertainty. RBA Governor Philip Lowe said he believes the country's inflation rate has now peaked. He also stated that the country's banking system is robust and does not expect US and Swiss banking problems to affect credit availability in Australia.