

Daily Update

Your daily market news, moves
and outlook



Friday, 23rd of April

Markets Outlook

Equities: Markets in Europe are slightly lower this morning following Wall Street's sell-off last night into the close. This slight risk-off sentiment has come after news broke yesterday that US President Joe Biden is set to propose a new CGT tax for the wealthy in America, almost doubling the old rate. Investors in Europe digested the ECB yesterday, with no surprises there and a reiteration of the ultra-easy monetary policy to stay in place this year.

Currencies: Euro is stronger on Friday morning after a dovish ECB, EUR/USD and EUR/GBP higher to 1.2057 and 0.8690 respectively. FX traders will begin to turn their attention to the Fed release next Wednesday, along with quarterly GDP releases from both the US and Germany to come next week.

Safe-havens: The spread between the US and German 10yr narrows again on Friday, and for the third consecutive week as Treasury yields in the US pull back after seeing a fairly overextended move to the upside during February and March. US 10yr yield's 1.55% on Friday, German Bund -0.27%. The lower real yields of recent weeks have supported gold markets, the precious metal reaching as high as \$1,798 earlier this week before pulling back slightly.

Looking ahead: In terms of economic data points, this afternoon we will see the US' Services and Manufacturing PMI release, we are also due to get a speech from the ECB President Lagarde during the afternoon following yesterday's ECB rate decision. For earnings: next week we will see a big week, with all of the FAAMG stocks releasing, along with names such as Visa, Mastercard, Samsung, Tesla, ExxonMobil, Chevron, Novartis, Merck, and many more.

Key Events to Watch

23/04/2021 - US PMIs

23/04/2021 - ECB President Lagarde speaks

28/04/2021 - Fed Rate Decision

29/04/2021 - US GDP

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,134 | -0.92% | 10.09% |
| DAX | 15,320 | 0.82% | 11.46% |
| EuroStoxx | 4,014 | 0.97% | 12.82% |
| ISEQ | 8,020 | 0.42% | 8.88% |
| FTSE | 6,938 | 0.62% | 7.03% |
| Nikkei 225 | 29,020 | -0.57% | 5.74% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.2015 | -0.15% | -1.32% |
| EUR/GBP | 0.8681 | 0.50% | -2.81% |
| GBP/USD | 1.3836 | -0.67% | 1.59% |
| USD/CHF | 0.9166 | -0.03% | 3.51% |
| USD/JPY | 107.96 | -0.08% | 4.54% |
| EUR/JPY | 129.71 | -0.26% | 3.16% |

| Fixed Income | Value | Daily Change |
|--------------|--------|--------------|
| US 10yr | 1.542 | -0.018 |
| US 2yr | 0.151 | 0.002 |
| Bund 10yr | -0.264 | -0.004 |
| Irish 10yr | 0.121 | 0.008 |
| Gilt 10yr | 0.741 | 0.000 |
| JGB 10yr | 0.066 | 0.003 |

Financial News Round Up

Biden Tax

United States President Joe Biden is set to roll out a plan to raise taxes on the wealthiest Americans, in order to fund roughly \$1 trillion in childcare, early education, and paid leave for workers as we understand the proposal. The plan would involve the doubling of levies on capital gains for individuals in the US earning more than \$1m (to 39.6%), and has sparked a sell-off in US equities as fears grow that large positions will be liquidated soon to avoid the new larger capital gains tax.

These tax increases would reverse some of the tax cuts passed by President Trump back in 2017, and also call for a hike of the top marginal income tax rate from 37% to 39.6%. These changes would still need to go through Congress, where Biden's Democratic Party holds a narrow majority and is unlikely to win support from Republicans. It is also unclear whether the new plan would have the unanimous backing of congressional Democrats, which would be essential in the Senate where each party hold 50 seats.

We see a higher likelihood that a watered-down version of the plan will be passed at some stage later this year.

PMIs This Morning

The Eurozone's recovery from the economic downturn of the past 12+ months was stronger than expected during April. The region's results remained resilient in general despite a fresh wave of infections and reimposed lockdowns in many key nations.

- German Manufacturing PMI: 66.4 vs 65.8 forecasts.
- German Services PMI: 50.1 vs 51.1 forecasts.
- French Manufacturing PMI: 59.2 vs 59.0.
- French Services PMI: 50.4 vs 46.6.
- Eurozone Manufacturing PMI: 63.3 vs 62.0.
- Eurozone Services PMI: 50.3 vs 49.1.
- UK Manufacturing PMI: 60.7 vs 59.0.
- UK Services PMI: 60.1 vs 58.9.

These PMI readings are a leading indicator and reflect data from the current month. Market participants often pay close attention to large beats or misses of expectations for this reason, often leading to intra-day volatility in the relevant regions' markets. As usual, any result above the 50.0 mark indicates economic expansion for that particular sector, while below 50.0 represents contraction.

UK Retail Sales

The UK's retail sales result for March came in this morning before market open in London, at a far stronger 5.4% vs 1.5% expectations and the previous 2.2% reading.

According to the Office for National Statistics the data reflected "the effect of the easing of coronavirus restrictions on consumer spending".