

Daily Update

Your daily market news, moves
and outlook



Monday, 31st of May

Markets Outlook

Equities: Stock markets are marginally lower this morning in Europe to kick the week off, after a mostly negative session in Asia overnight. Uncertainties around inflation spikes and potential central bank tightening have decreased over the past week, as investors turn their attention back to the economic recovery and widespread vaccination programmes. Today will likely remain quiet across markets as the US and UK stay closed for bank holidays. The VIX volatility index closed on Friday at 16.76, near its lowest levels in three weeks as fears subside and quiet trade into the summer begins.

Currencies: Currency markets are expected to remain fairly muted today in line with equities, due to traders being away from their desks in some key regions, we also have no major data releases this afternoon from either side of the Atlantic. EUR/USD and EUR/GBP at roughly 1.22 and 0.86 this morning at the time of writing. Dollar traders will begin to look towards the end of the week, when we see Non-Farm Payrolls data and the monthly unemployment rate to come from the United States.

Safe-havens: Gold markets have opened higher again this week, at \$1,909 at the time of writing, the metal having gained 7.8% during the month of May and breaking the downtrend it saw from September to February. Similarly silver has opened slightly higher this morning after the more volatile metal saw gains in the region of 8.5% over the past month. Looking at sovereign bond yields, Europe's benchmark German 10yr yield has moved somewhat higher to -0.161% on Monday, the bond itself having sold off fairly consistently for all of 2021 so far as Europe looks to emerge from the pandemic.

Key Events to Watch

01/06/2021 - RBA Rate Decision
01/06/2021 - US ISM Manufacturing PMI
04/06/2021 - Fed Chair Powell speaks
04/06/2021 - US Non-Farm Payrolls

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,204	0.08%	11.93%
DAX	15,519	0.74%	12.81%
EuroStoxx	4,070	0.78%	14.49%
ISEQ	8,283	-0.32%	12.36%
FTSE	7,022	0.04%	8.70%
Nikkei 225	28,860	-0.99%	5.16%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2189	-0.02%	-0.13%
EUR/GBP	0.8591	0.10%	-3.73%
GBP/USD	1.4187	-0.13%	3.77%
USD/CHF	0.8997	0.32%	1.75%
USD/JPY	109.81	0.01%	6.24%
EUR/JPY	133.95	0.06%	6.11%

Fixed Income	Value	Daily Change
US 10yr	1.581	-0.025
US 2yr	0.140	-0.006
Bund 10yr	-0.184	-0.012
Irish 10yr	0.219	-0.013
Gilt 10yr	0.796	-0.018
JGB 10yr	0.077	-0.002

Financial News Round Up

The Week Ahead

Monday afternoon will likely be quieter in Europe, as other major markets (in the UK and the US) will remain closed until tomorrow for bank holidays. Volumes across the board will pick up on Tuesday, the Reserve Bank of Australia will release their latest rate statement in the early hours of the morning followed by quarterly GDP readings from Switzerland, the 'Final' Manufacturing PMI for Germany and US 'ISM Manufacturing PMI' in the afternoon. Wednesday will be quieter, on Thursday we will see the release of 'ISM Services PMI' from the US.

Friday will likely be the key in terms of economic data releases this week, with both Canadian and US unemployment rates, accompanied by the United States' Non-Farm Payrolls figure. Both ECB President Lagarde and Fed Chair Powell will also speak on Friday.

Over the coming weeks investors' attention will undoubtedly remain on any comments from central bank officials with regard to the tightening of monetary policies in the face of rising inflation. Last week we saw both ECB and Fed speakers coming out and dampening market fears that their asset purchasing programmes will soon be tapered and rate hikes will come sooner than expected, which of course has helped the equity rally continue with many of the major indices returning to their all-time highs.

OECD

The OECD released some upgraded forecasts this morning for global growth, as vaccine rollouts allow businesses to resume operations and as the United States pumps trillions of Dollars into the world's largest economy, the organisation said. The global economy is now set to grow by 5.8% in 2021 and 4.4% next year, up from the OECD's March estimates for 5.6% and 4.0% respectively.

"The world economy is currently navigating towards the recovery, with lots of frictions" said OECD chief economist Laurence Boone, "The risk that sufficient post-pandemic growth is not achieved or widely shared is elevated".

The US economy is now expected to grow by a robust 6.9% this year, up from previous estimates for 6.5%, but now forecast for just 3.6% in 2022, down from previous estimates for 4.0%.

In this latest release, the OED has forecast that the Irish economy will grow by 4.2% in GDP terms this year, with the possibility for a further 5.1% during 2022 as a result of pent-up demand and an unwinding of excess savings made during the pandemic.

Irish Economy

Month-on-month Retail Sales in Ireland were 7% higher in April, 90% higher than the same period one year prior when we initially shut down. In addition, debit and credit card spending data for the nation indicated a sharp increase following the re-opening of non-essential retail on May 17th. According to Bank of Ireland's Economic Pulse indicator, the country saw an 89.5 print for the month of May, back above its pre-pandemic level. This is a 4.1-point increase m/m and a significant 45.6 jump on the same period one year ago.