

# Daily Update

Your daily market news, moves  
and outlook



Thursday, 17th of June

## Markets Outlook

**Equities:** Europe's main equity indices are trading roughly 0.30% - 0.40% lower on Thursday morning following a slight sell-off last night on Wall Street, S&P500 futures are about half a percent lower this morning, moving lower broadly in line with Europe. This risk-off tone comes after a slightly more hawkish Fed last night than was priced into markets, the US central bank striking a notably different tone to that of the ECB last week. ECB officials claimed that it was too early to debate closing the money taps despite recent inflation rises.

**Currencies:** The Dollar saw a relatively sharp bid last night after the Fed indicated it would hike rates and taper off its QE sooner than they had previously mentioned. The greenback becomes somewhat more attractive as the Fed turns more hawkish, indicating they will step away from their bond-buying which in theory will take a large bid out of the US bond market and will lead to higher, more enticing yields in the States, which in turn should draw money to America and the Dollar. EUR/USD lower to 1.1950 for the first time since late April.

**Safe-havens:** Gold has sold off overnight on the back of a stronger Dollar and higher nominal yields in the United States, the precious metal almost 3% lower since the FOMC release last night. Gold is trading down to \$1,807 at the time of writing, its lowest levels since early-May. US Treasuries are back inside their April and May range, the 10yr yielding 1.57% today.

**Looking ahead:** This afternoon will be relatively quiet, after the FOMC release last night and Swiss National Bank's rate decision this morning. We will see the release later today of the weekly US unemployment claims however, followed overnight tonight by the Bank of Japan and UK retail sales tomorrow morning. The highlights of next week will likely come from in the form of Wednesday's PMI releases and Thursday's BOE rate decision.

## Key Events to Watch

18/06/2021 - BOJ Rate Decision

18/06/2021 - UK Retail Sales

23/06/2021 - European & US PMIs

24/06/2021 - BOE Rate Decision

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,223	-0.54%	12.45%
DAX	15,710	-0.12%	14.48%
EuroStoxx	4,151	0.20%	16.66%
ISEQ	8,229	0.65%	11.50%
FTSE	7,184	0.17%	10.91%
Nikkei 225	29,018	-0.93%	5.74%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1994	-1.07%	-2.15%
EUR/GBP	0.8573	-0.40%	-4.20%
GBP/USD	1.3987	-0.66%	2.17%
USD/CHF	0.9085	1.18%	3.12%
USD/JPY	110.69	0.56%	7.17%
EUR/JPY	132.76	-0.52%	4.86%

Fixed Income	Value	Daily Change
US 10yr	1.581	0.092
US 2yr	0.207	0.042
Bund 10yr	-0.246	-0.016
Irish 10yr	0.177	-0.014
Gilt 10yr	0.747	-0.015
JGB 10yr	0.063	0.003

## Financial News Round Up

### Federal Reserve Yesterday

Risk assets sold off in New York last night and bond yields rose as the US' central bank came out slightly more hawkish than many market participants had expected. While monetary policy and interest rates were left unchanged, as was widely forecast, policymakers are beginning to shift their view on when the bank will look to hike rates. The Fed's median forecast is now for a 50bp (two hikes) increase during 2023, with 13 of 18 officials going for some form of move in 2023 versus just 7 of 18 when they were last polled back in March. Previously the Fed had been signalling that it was more likely to be 2024 before the first hike comes into effect. In addition, 7 of 18 are now opting for a 2022 rate hike vs the previous 4 just three months ago. The Fed's longer-run forecast remains unchanged at 2.50%.

Looking at the updated economic projections, the median member of the committee now views inflation rising at a faster pace than its last round of forecasts in March, forecasting the core personal consumption expenditures (Core PCE, the Fed's preferred inflation metric) to come in at 3.0% this year vs its March 2.2% estimate. The Fed then expects these pressures to alleviate, falling to 2.1% in 2022.

The median GDP estimate is now a robust 7% for this year, compared to previous 6.5% forecasts, with unemployment expected to fall to 4.5%, in line with previous predictions.

We note that the Fed Chair Jerome Powell said that whenever the central bank gets ready to taper, policymakers will give market participants "advance notice" before announcing anything. "Our intention for this process is that it will be orderly, methodical, and transparent", he added. This is another positive sign from the Fed, in our opinion. The bank will look to give markets notice of any significant changes to policy well in advance, in an effort to avoid shocks and any potential spikes in volatility.

### UK Travel

Britain is considering easing travel restrictions for fully vaccinated individuals, a move which would likely appease airlines who are beginning to threaten legal action against the government's strict curbs on trips abroad. The country's Department for Transport today stated that it was considering how vaccinations could be used for inbound travel.

Ryanair yesterday said they would sue the UK government over its 'traffic light' system, the budget airline looking to team up with the Manchester Airports Group (MAG, owner of 3 major English airports) and file papers to seek clarity over the transparency of the system.

"The current opaque way that decisions are being made is undermining consumer confidence to book summer holidays and makes it impossible for airports, airlines and other travel companies to plan for the recovery of international travel" the two companies said in a statement.

Britain is set to provide an updated list of destinations which will not require quarantine on June 24th.