

Daily Update

Your daily market news, moves
and outlook



Wednesday, 23rd of June

Markets Outlook

Equities: The main stock markets on the continent are about 0.40% lower this morning after a couple of days in the green on Monday and Tuesday as they attempted to undo last week's losses. Fed Chair J Powell's testimonial last night served to calm market jitters somewhat as the central banker reassures the public that while the Fed has its eye on inflation it will not rush to hike rates.

Currencies: EUR/USD is trading flat on Wednesday at 1.1935, stabilizing after some slight weakness overnight following the commentary from Jerome Powell. Dollar traders will now likely look towards the region's PMI results this afternoon, then to the handful of Fed officials who are due to speak later today, and finally to US inflation figures due on Friday.

Safe-havens: Gold is rebounding slightly after its relatively sharp fall last week, trading higher to \$1,785 as we write. Treasuries in the US are flat this morning as Government Bond volatility moves lower. Germany's benchmark 10yr yield remains steady on Wednesday at circa -0.17%.

Looking ahead: After this morning's PMI results from Eurozone nations and the UK we are due to see the same from the United States at 2:45pm Irish time. Looking ahead then, tomorrow morning Germany will release its 'IFO Business Climate' figure, the Bank of England will report at midday, followed by the US 'Final GDP' q/q result tomorrow afternoon.

Key Events to Watch

23/06/2021 - US PMIs

24/06/2021 - BOE Rate Decision

24/06/2021 - US 'Final GDP'

25/06/2021 - US PCE inflation index

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,246	0.51%	13.06%
DAX	15,636	0.21%	13.60%
EuroStoxx50	4,123	0.26%	15.73%
ISEQ	8,291	1.58%	11.96%
FTSE	7,090	0.39%	9.66%
Nikkei 225	28,874	-0.03%	5.21%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1938	0.19%	-2.30%
EUR/GBP	0.8557	0.11%	-4.39%
GBP/USD	1.3947	0.13%	2.23%
USD/CHF	0.9178	0.00%	3.75%
USD/JPY	110.64	0.31%	7.41%
EUR/JPY	132.08	0.51%	4.94%

Fixed Income	Value	Daily Change
US 10yr	1.467	-0.030
US 2yr	0.230	-0.026
Bund 10yr	-0.161	0.012
Irish 10yr	0.220	0.008
Gilt 10yr	0.782	0.011
JGB 10yr	0.052	0.005

Financial News Round Up

PMIs This Morning

This morning we have seen a mix of June PMI data out of the Eurozone and UK, however the Eurozone's composite PMI reading (a broad guide to economic health) jumped from 57.1 last month to 59.2 - as economies reopen further and as consumer confidence continues to increase. In composite terms, this is the Eurozone's highest reading since June 2006, and was far ahead of the 50.0 expansion-contraction border.

"The upturn is becoming increasingly broad-based, spreading from manufacturing to encompass more service sectors, especially consumer-facing firms" said a representative from IHS Markit - the firm who conduct the surveys. We note that Germany and France, the Eurozone's two largest economies, saw significant jumps in services activity when compared with just one month ago, seeing 55.8 vs the previous 52.8 and 59.6 vs 56.6, respectively.

- Eurozone Manufacturing PMI: 63.1 vs 62.4 forecasts.
- Eurozone Services PMI: 58.0 vs 58.1 forecasts.
- German Manufacturing PMI: 64.9 vs 63.0.
- German Services PMI: 58.1 vs 55.8.
- French Manufacturing PMI: 58.6 vs 59.0.
- French Services PMI: 57.4 vs 59.6.
- UK Manufacturing PMI: 64.2 vs 64.1.
- UK Services PMI: 61.7 vs 62.9.

Overall, we believe today's results confirm a picture of accelerating growth over the course of the second quarter as restrictive measures are eased. We estimate that growth across the continent will continue to advance next quarter before it levels off somewhat.

Powell Last Night

Stock markets found a footing last night after Jerome Powell's testimony, during which the leader of the Federal Reserve indicated that the central bank will take its time when tightening monetary policy, calming fears and bringing the VIX down to below \$16 briefly last night.

"We will not raise interest rates pre-emptively because we fear the possible inset of inflation. We will wait for evidence of actual inflation or other imbalances" Powell stated.

Markets will now look to Fed officials Bowman, Rosengren, and Bostic who are all due to speak at different stages throughout the afternoon.

Bank of Ireland

Minister for Finance Paschal Donohoe has announced that the Irish Government plans to sell part of its 13.9% stake in Bank of Ireland during the second half of this year, marking the government's first sale of its BOI holdings since 2017.

The State originally put €4.7 billion into the bank after the financial crisis, with the initial investment coming in early 2009. We note that by May of last year, the State had made a net positive return of €1.2b on its investment in BOI, the only Irish bank to have repaid the Irish taxpayer in full.

Donohoe went on to say that the government will consider its shares in AIB and Permanent TSB at "the right point in time".