Daily Update

Your daily market news, moves and outlook

SEASPRAY PRIVATE
Wealth Management Solutions

Tuesday, 6th of July

Markets Outlook

Equities: The main indices saw very quiet trade in Europe on Monday, followed by much of the same from the Asian session overnight as markets in the United States remained closed for the bank holiday long weekend. Europe is seeing declines of roughly 0.40% on Tuesday morning as investors digest the collapse in OPEC talks over oil production levels. London's FTSE100 index trades 0.20% lower this morning, PM Johnson yesterday outlined his plans to lift all remaining restrictions in two weeks, as delta cases increase among young people. The VIX sits at $15.87 at the time of writing.

Currencies: FX markets were very quiet on Monday as US traders were away from their desks and registered volumes unsurprisingly came in much lower than average. AUD/USD is 0.60% higher to 0.7575 after the RBA's release overnight. EUR/USD and EUR/GBP are both slightly weaker this morning, trading at 1.185 and 0.855 while remaining within their ranges.

Safe-havens: Gold and silver are trading through near-three-week highs on Tuesday morning, rallying between 0.90% and 1.25% as the resistance points from the last couple of weeks are broken. Yields in Europe are marginally lower today, bond markets have seen very low volatility over the past week or so, Germany's benchmark 10 year still yielding a negative 22 basis points.

Looking ahead: This afternoon we are due to see the release of the US ISM Services PMI for June, expected at 63.4 versus last month's 64.0, and well above the 50.0 expansionary/contractionary mark. Tomorrow the European Commission will release their quarterly updated economic forecasts and then the Fed's meeting minutes will come at 7pm.

Key Events to Watch

06/07/2021 - US 'ISM Services PMI'
07/07/2021 - EU Economic Forecasts
07/07/2021 - Fed Meeting Minutes
09/07/2021 - Canadian Unemployment Rate

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,351	(Closed)	15.87%
DAX	15,661	0.08%	13.59%
EuroStoxx	4,087	0.07%	14.61%
ISEQ	8,393	0.92%	13.74%
FTSE	7,164	0.58%	10.81%
Nikkei 225	28,643	0.16%	4.37%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1861	0.04%	-2.74%
EUR/GBP	0.8565	-0.08%	-4.18%
GBP/USD	1.3845	0.10%	1.51%
USD/CHF	0.9219	0.01%	4.07%
USD/JPY	110.96	-0.16%	7.35%
EUR/JPY	131.61	-0.12%	4.39%

Fixed Income	Value	Daily Change
US 10yr	1.436	0.005
US 2yr	0.233	-0.004
Bund 10yr	-0.212	0.016
Irish 10yr	0.168	0.015
Gilt 10yr	0.715	0.014
JGB 10yr	0.038	0.006

Financial News Round Up

RBA Decision

At 5:30am Irish time this morning the Reserve Bank of Australia released its decision to maintain its cash rate at 0.10% (record lows), while the central bank also reiterated the need for this rate to remain unchanged until 2024, as we expected.

The bank decided to begin tapering off its asset purchasing programme, with a plan to continue purchasing government bonds past the previous September deadline but at a weekly pace of 4 billion Australian Dollars, rather than the current 5 billion. RBA Governor Philip Lowe stated that the measures would "provide the continuing monetary support that the economy needs as it transitions from the recovery phase to expansion phase", the RBA have also acknowledged recent strength in data points for the region but on the other hand still have virus outbreaks to contend with as a key near-term issue.

We note that the RBA also said it will not look to increase its cash rate until actual inflation is sustainably within the 2 to 3% target range.

Oil Prices

WTI crude oil prices surged to their highest levels since November 2014 after disputes continue between Saudi Arabia and the United Arab Emirates, plunging OPEC+ into crisis and blocking a supply increase. WTI crude advanced to just shy of $77 this morning, as this latest breakdown in OPEC talks has left the market without the extra supplies for next month that it had been banking on. This move also comes as many developed nations' economies continue to reopen, boosting demand for oil as a direct consequence and driving prices higher, at least for now.

Last week we did see the Biden administration comment that it was somewhat concerned by the extent of the oil rally this year, which many analysts saw as a signal to the US' allies such as Saudi and the UAE that it wanted to see higher output to cool the rally.

Dalata Group

Ireland's largest hotel operator Dalata Hotel Group have released a trading update this morning for the second quarter of 2021, striking a positive tone as trade in its hotels improved during the three-month period as restrictions on hospitality were eased in the UK, and then in Ireland in June. Occupancy levels came in at 24% for Dublin, 32% in regional Ireland, and 30% across the UK. H1 cash burn was contained at €27m despite major government restrictions over many of these months, while Q2 cash burn was reportedly negligible.

"I am confident that with our proven track record, well-invested portfolio, strong balance sheet and team of talented people, we will continue to drive long-term success for all of our stakeholders. I am excited about the future for Dalata as we emerge from Covid-19" said Dermot Crowley, CEO of Dalata.

The shares, which are 2% higher YTD, closed last night in Dublin at €3.86. We believe there has been evidence of pent up demand in both Ireland and the UK at different stages over the past year as restrictions have eased slightly, and reiterate our 'buy' rating on Dalata as a reopening play for H2 of this year. Our price target remains at €4.78, around pre-pandemic sell-off levels, and would equate to a 23% upside from current prices.