Daily Update

Your daily market news, moves and outlook

SEASPRAY PRIVATE
Wealth Management Solutions

Wednesday, 7th of July

Markets Outlook

Equities: European markets have grinded sideways to slightly lower over the last couple of weeks as Delta virus cases continue to turn upwards in a few key nations, including of course the UK who have the highest weekly case rate on the continent. EuroStoxx50 and FTSE100 are trading between 0.50% and 1% higher this morning after a broadly negative session on Tuesday. VIX is at $16.20 as futures move marginally higher in the States this morning.

Currencies: The Dollar is sitting near its three-month highs this morning, as EUR/USD moves to 1.825 and Sterling to $1.38. This follows much of the same from yesterday where the perceived safe-haven Dollar and Yen held the upper hand amid growing fears over the global economic recovery and effectiveness of vaccines against the Delta variant.

Safe-havens: Gold has gained over a percent between yesterday and today, rallying back above the $1,800 round figure for the first time in almost three weeks. Precious metals have caught a bid after OPEC+ failed to reach an agreement on boosting future oil supply, which pushed energy prices higher. This in turn has sparked fears that inflation will surge higher as oil prices increase and so does demand as economies reopen. Sovereign bonds also caught a bid yesterday as risk assets sold off and virus fears grew, the US 10yr hitting its lowest yield since mid-February at 1.35%.

Looking ahead: This afternoon's main focus for markets will of course be the release of the FOMC June meeting minutes, due to come at 7pm Irish time. Looking ahead then, tomorrow we will see the weekly US Unemployment Claims result, followed on Friday by Canada's monthly Unemployment Rate. We will also see the ECB President Lagarde and BOE Governor Bailey both speaking on Friday morning.

Key Events to Watch

07/07/2021 - Fed Meeting Minutes
09/07/2021 - Canadian Unemployment Rate
13/07/2021 - US CPI Inflation
14/07/2021 - UK CPI Inflation

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,343	-0.20%	15.64%
DAX	15,511	-0.96%	13.07%
EuroStoxx	4,052	-0.85%	14.07%
ISEQ	8,315	-0.93%	12.73%
FTSE	7,100	-0.89%	9.91%
Nikkei 225	28,366	-0.96%	3.36%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1822	-0.33%	-3.20%
EUR/GBP	0.8564	-0.01%	-4.09%
GBP/USD	1.3799	-0.33%	0.96%
USD/CHF	0.9241	0.24%	4.38%
USD/JPY	110.60	-0.32%	7.25%
EUR/JPY	130.77	-0.64%	3.81%

Fixed Income	Value	Daily Change
US 10yr	1.352	-0.084
US 2yr	0.220	-0.013
Bund 10yr	-0.269	-0.061
Irish 10yr	0.117	-0.051
Gilt 10yr	0.626	-0.090
JGB 10yr	0.027	-0.002

Financial News Round Up

Fed Meeting Minutes

As we have spoken about in recent publications, we will be closely watching the Federal Reserve's release tonight at 7pm Irish time, which may give us clues with regard to the central bank's forward guidance which we may not have gotten at the actual release of the monetary policy statement last month.

These minutes could give us some further clarity around the bank's thinking about when they plan on tightening their currently ultra-accommodative monetary policies, from their crisis-era asset purchasing to near-zero benchmark interest rates.

The US' central bank of course surprised market participants somewhat in June when it signalled a potentially quicker than expected policy shift in the face of stronger inflationary pressures and robust economic growth, at least in the United States. Policymakers' interest rate projections last month opened the door to two rate hikes in 2023, a significant change from the previous forecasts which indicated that it would maintain its accommodative policy until "at least 2024" and possibly even beyond.

Questions over the direction of monetary policy and the speed of any future changes have become front and centre in investors' minds as of late, considering that central banks' extreme dovishness and easy-policies have been the main driver of equity prices since the onset of the pandemic. Bearing in mind that stock markets in the States experienced their worst weekly performance in about four months in the June meeting's initial aftermath, we could see relatively strong moves in either direction tonight and into tomorrow's session in Europe.

UK Housing

According to mortgage lender Halifax, Britain's housing market boom has showed some signs of cooling, as prices fell last month for the first time since January ahead of the scaling back of a tax break for buyers. The UK's house prices fell by 0.5% month-on-month, according to the bank.

The region did still see an 8.8% surge in prices when compared with June 2020, after seeing the largest y/y jump in 14 years when they rose by 9.6% in May.

Britain's housing market has been propelled higher by finance minister Rishi Sunak's pandemic emergency tax break for buyers, many of whom were already seeking larger properties as they increasingly work from home as a result of restrictions.

"However, we would still expect annual growth to have slowed somewhat more by the end of the year, with unemployment expected to edge higher as job support measures unwind, and the peak of buyer demand now likely to have passed" said Managing Director of Halifax, Russell Galley.