

Daily Update

Your daily market news, moves
and outlook



Friday, 9th of July

Markets Outlook

Equities: European stock markets are rebounding this morning, the main equity indices between 1% and 1.5% higher at the time of writing. Markets in general have sold off this week, as concerns that rising Covid numbers, primarily in southeast Asia but also in the more highly-vaccinated west, will blunt progress on the economic recovery. The FTSE100 is a percent higher to £7,095 despite the UK's miss of GDP expectations this morning, along with their ever-increasing Delta variant numbers this week. VIX is sitting lower at 17.36 after reaching above 21.20 on yesterday's sell-off.

Currencies: The Dollar has advanced again this week, albeit in a slower fashion, as fears about the Delta variant have come to the fore. EUR/USD reached as low as 1.1782 for the first time in three months before moving back above the 1.18 mark again on Thursday. EUR/GBP has seen very quiet sideways trade for a couple of months now, between 0.855 and 0.86.

Safe-havens: Gold has attempted to push higher this week, still trading near the \$1,800 round figure which has acted as a significant point of support/resistance in the past for the metal, intra-day rallies continue to be sold, at least for now. Looking at sovereign bonds, the main 10yr yields on both sides of the Atlantic have moved lower this week, as fears over global growth and new variants continue to rise, and as equities sold off this week. The benchmark US 10yr briefly got below a 1.3% yield on Thursday, Germany's 10yr still below -0.30% this morning.

Looking ahead: Canada will release their monthly jobs data after lunch, but otherwise the rest of the day is set to be quiet on the data front. Next week will see a quiet start, with the action likely picking up on Tuesday when the US releases its monthly CPI inflation reading. We will then see the UK's CPI result on Wednesday followed by US PPI (Producer Price Index) that afternoon and a Chinese GDP release in the early hours of Thursday morning. Monthly US retail sales will then round up the week on Friday afternoon.

Key Events to Watch

09/07/2021 - ECB President Lagarde speaks
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	4,320	-0.86%	15.04%
DAX	15,420	-1.73%	13.21%
EuroStoxx	3,991	-2.13%	13.43%
ISEQ	8,141	-2.42%	11.10%
FTSE	7,030	-1.68%	9.39%
Nikkei 225	27,940	-0.63%	1.81%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1842	0.45%	-3.13%
EUR/GBP	0.8589	0.57%	-3.77%
GBP/USD	1.3785	-0.11%	0.70%
USD/CHF	0.9155	-1.06%	3.53%
USD/JPY	109.79	-0.78%	6.57%
EUR/JPY	130.01	-0.32%	3.23%

Fixed Income	Value	Daily Change
US 10yr	1.294	-0.029
US 2yr	0.196	-0.022
Bund 10yr	-0.313	-0.024
Irish 10yr	0.094	0.004
Gilt 10yr	0.596	-0.008
JGB 10yr	0.032	0.009

Financial News Round Up

ECB Minutes

Yesterday we got the release of the minutes from the European Central Bank's June meeting, the central bank has now stated that it will not make the same mistakes it did in 2011 when it last raised its interest rates (just as the Eurozone debt crisis began).

The ECB will now have a 2% inflation target and pledge to tolerate any slight overshoots. This is more clear than the bank's previous rhetoric of "below, but close to, 2% over the medium term", and slightly differs from the Federal Reserve who will actively seek to push inflation above 2% for some time. HICP readings are set to remain the main gauge of inflation for the Eurozone, but the figures will be amended going forward, to better include costs related to housing.

"We have learnt from history and we have observed what has worked and what has not worked" said Christine Lagarde, "Now we need to demonstrate we mean what we say".

We must remember that the ECB has consistently failed to lift inflation to its previous target of just below 2% for much of the past decade.

Fed & the Delta Variant

Mary Daly, a top Federal Reserve official and the San Francisco Fed President, has warned that the spread of the Delta covid variant coupled with low vaccination rates and supplies in some regions around the world poses a threat to the global recovery, as she urged caution in removing monetary support for the US economy.

"I think one of the biggest risks to our global growth going forward is that we prematurely declare victory on Covid", Daly said. "We are not through the pandemic, we are getting through the pandemic".

Daly, a voting member of the FOMC this year, alluded to the fact that even some developed regions such as Japan are struggling to contain the spread of the virus. She went on to point out that surging infections abroad were constraining the economic rebound and could have negative consequences for the United States.

UK GDP

May's m/m GDP result in the UK came in at 0.8%, well below analysts' 1.5% expectations and the previous month's result of 2.0%, leaving the nation's GDP just 3.1% below its February 2020 level. Indoor hospitality was allowed to resume in the UK during the month of May, following April's easing of restrictions on non-essential retailers, hairdressers, outdoor pubs and restaurants.

The Bank of England has previously stated it believes Britain's economy will grow by 7.25% in 2021, which if reached would equate to the fastest annual growth since 1941.

The UK's services sector grew by 0.9% in May, including a notable 37% surge for accommodation and food services. Industrial output was 0.8% higher while construction output actually shrank by 0.8%.