

Daily Update

Your daily market news, moves
and outlook



Monday, 23rd of August

Markets Outlook

Equities: Stock markets have rallied on Friday and into this morning, the main European indices up between 0.10% and 0.40% on Monday as we write, as investors begin to shrug off concerns around the delta spread, Fed taper timing, and the Chinese tech regulatory crackdown. Services and Manufacturing PMI results out of Europe and the UK have been mixed this morning. London's FTSE100 trading slightly higher on the session. S&P500 futures, a quarter of a percent higher this morning, are now just 0.60% off their all-time highs as the VIX volatility index falls back below \$19.

Currencies: EUR/USD is sitting at the bottom of its wide range of the past year at 1.1730, having touched 9-month lows late last week as markets started to price in a sooner than expected Fed QE tapering. Having said this, the world's reserve currency is moving slightly lower on Monday morning, in what looks like some profit taking by shorter-term traders after the currency saw its largest weekly gain in over two months last week. We may see Dollar volatility fall in the coming days, as the market awaits Jerome Powell's Friday speech at the Jackson Hole Symposium and further clarity around the Fed's monetary policy stance.

Safe-havens: Gold is 0.30% higher on Monday, still finding fair value just below the \$1,800 mark as it has done for about a week now. This Friday will likely be big for the metal, and the Dollar alike, as we get further clarity on the timing of the Fed's QE tapering later this year or in 2022. Similarly, US Treasuries will likely see quiet trade in the days ahead, with the potential for relatively large moves on Friday and into next week, the benchmark US 10yr at 1.28% currently.

Key Events to Watch

23/08/2021 - US PMIs
26/08/2021 - US GDP
26/08/2021 - Jackson Hole Symposium begins
27/08/2021 - US Core PCE Inflation

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,441	0.81%	18.25%
DAX	15,808	0.27%	15.71%
EuroStoxx	4,147	0.55%	17.36%
ISEQ	8,661	0.84%	17.77%
FTSE	7,087	0.41%	10.37%
Nikkei 225	27,494	1.78%	0.18%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1696	0.19%	-4.03%
EUR/GBP	0.8585	0.33%	-3.81%
GBP/USD	1.3621	-0.12%	-0.19%
USD/CHF	0.9171	-0.17%	3.31%
USD/JPY	109.80	0.07%	6.40%
EUR/JPY	128.79	0.25%	2.11%

Fixed Income	Value	Daily Change
US 10yr	1.255	0.012
US 2yr	0.226	0.005
Bund 10yr	-0.495	-0.006
Irish 10yr	-0.084	-0.006
Gilt 10yr	0.524	-0.017
JGB 10yr	0.013	0.003

Financial News Round Up

The Week Ahead

The week has been kicked off on Monday morning by a list of Services and Manufacturing PMI results out of key Eurozone nations and the UK. These are due to be followed this afternoon by the same from the United States, in what is otherwise set to be a relatively quiet afternoon for data points. Tuesday looks to be very quiet, with the German IFO Business Climate figure due on Wednesday morning and US Core Durable Goods Orders that afternoon.

Things could begin to heat up for markets on Thursday, the US will release its Q2 GDP result (expected at 6.6% q/q) at 1:30pm Irish time, and the Economic Policy Symposium, held in Jackson Hole, Wyoming, will kick off. The event, which will run for three days, is set to serve as a forum for more discussions around Fed policymakers' plans to announce and implement a shift in the central bank's monetary stance. The likely highlight of the week for markets will come this Friday at 3pm when the Fed Chair Jerome Powell is due to speak at the Symposium. Last week, Fed officials signaled that the announcement of the start of QE tapering was edging closer, all eyes will now be on Powell this week.

We note that on Friday we will also see the release of the US Core PCE Index (the Fed's preferred inflation reading) - expected to come in at 0.3% m/m versus the previous 0.4%.

PMIs This Morning

This morning we have just seen the release of PMI results for key Eurozone nations, along with the United Kingdom. These PMI results give us data from the current month and are therefore a leading indicator of economic health in each region, as opposed to many other data points which are lagging indicators. As usual, a result above the 50.0 mark equates to expansionary territory for that particular sector this month, below 50 being contractionary.

- Eurozone Manufacturing PMI: 61.5 vs 62.0 forecasts.
- Eurozone Services PMI: 59.7 vs 59.6 forecasts.
- German Manufacturing PMI: 62.7 vs 65.1
- German Services PMI: 61.5 vs 61.0
- French Manufacturing PMI: 57.3 vs 57.1
- French Services PMI: 56.4 vs 56.2
- UK Manufacturing PMI: 60.1 vs 59.5
- UK Services PMI: 55.5 vs 59.0

We note that services activity in the Eurozone as a whole saw 20-year highs in July, as rapid vaccinations allowed more businesses to reopen and customers to return to somewhat-normal living.

These results will be followed by the same from the US this afternoon (at 2:45pm Irish time), with the region's manufacturing reading expected to come in at 62.4 vs the previous month's 63.4, and services forecast at 59.1 vs the previous 59.9.