Daily Update

Your daily market news, moves and outlook

SEASPRAY PRIVATE
Wealth Management Solutions

Friday, 17th of September

Markets Outlook

Equities: Stock markets on the continent are between 0.30% and 0.60% stronger on Friday morning, as the region looks set to finish the week in the green versus US equities which were broadly flat. London's FTSE 100 index is marginally higher this morning after a miss of expectations with regard to the region's Retail Sales earlier today. The VIX volatility index sits at $18.67 on Friday.
Currencies: FX markets are fairly quiet this morning, EUR/USD is looking to undo some of Thursday's losses, the world's most traded currency pair 0.15% higher to 1.178 as we write. The Dollar gained some ground yesterday after thew stronger than expected US Retail Sales release, as investors look to the possibility of a slightly more hawkish Fed next week.
Safe-havens: Gold markets were hit yesterday after the strong data out of the US, the metal finished the session over 2% lower and traded its lowest prices in over a month as markets began to price in a more hawkish Fed and possibly a faster than expected tapering of stimulus. This would lead to a stronger Dollar in the short to medium term and a gold sell-off, should it come to fruition. The European benchmark, German 10yr Bond, continued to sell off this morning, as inflation in the Eurozone was confirmed at 3.0% y/y during August - the bond touching a 2-month high of -0.28%.
Looking ahead: This afternoon we are due to see Consumer Sentiment data from the US, not widely expected to move markets however. Next week we will get three central bank releases between Wednesday and Thursday, from the Bank of Japan, Federal Reserve, and the Bank of England. We may see some volatility towards the back end of next week in this regard.

Key Events to Watch

20/09/2021 - Canadian Federal Election
22/09/2021 - BOJ Rate Decision
22/09/2021 - Fed Rate Decision
23/09/2021 - BOE Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,473	-0.15%	19.11%
DAX	15,651	0.23%	14.79%
EuroStoxx	4,169	0.58%	18.34%
ISEQ	8,807	2.13%	20.37%
FTSE	7,027	0.16%	9.32%
Nikkei 225	30,500	0.58%	11.13%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1764	-0.43%	-3.52%
EUR/GBP	0.8530	-0.08%	-4.39%
GBP/USD	1.3788	-0.35%	0.94%
USD/CHF	0.9275	0.86%	4.64%
USD/JPY	109.70	0.31%	6.41%
EUR/JPY	129.05	-0.12%	2.66%

Fixed Income	Value	Daily Change
US 10yr	1.336	0.032
US 2yr	0.221	0.008
German 10yr	-0.305	0.003
Irish 10yr	0.085	-0.003
UK 10yr	0.811	0.033
Japanese 10yr	0.042	-0.003

Financial News Round Up

Retail Sales Data

The latest set of economic data out of the US, released yesterday afternoon, painted a more upbeat picture of the US consumer and economy than was previously expected. The country's Retail Sales results for August came in above analysts' forecasts, causing some choppy trade in equity markets, along with a gold sell-off and Dollar rally as investors began to price in a slightly more hawkish Federal Reserve next week.
Retail sales for August came in at 0.7% m/m, versus -0.7% forecasts and the previous reading of -1.8%. Core retail sales, which measures the same data minus automobiles, was 1.8% higher m/m versus -0.1% expectations and July's -1.0% reading.
Investors will likely still look on this latest release with some caution about the outlook going forward, especially given lingering uncertainties around the Delta variant and waning vaccine efficacy as time goes on, ongoing supply chain issues, and next moves on monetary policy.
In contrast, this morning we saw the UK's retail sales result which saw a miss of expectations for the region, in what is now the UK's longest streak of declines (four consecutive monthly declines) since current records began. UK m/m retail sales came in at -0.9% for August versus 0.5% forecasts and the previous -2.8% result.

ECB Inflation Expectations

This morning we are seeing some focus on a Financial Times report which looks at unpublished ECB inflation estimates. The European Central Bank reportedly expects to reach its 2% average inflation target by 2025, according to its unpublished internal models that suggest it is on course to hike interest rates in just over two years. This would be a year sooner than most market participants are expecting at present.
The ECB as we know, has struggled for years to boost inflation in the Eurozone and reach its targets, inflation being one of the main factors in its decisions on setting interest rates and adjusting asset purchases.
Eurozone inflation was confirmed this morning to have hit 3.0% y/y in August, as we saw the 'Final CPI' result for the region come in, about two weeks after the more important preliminary result. This is a 10-year high for the 19-nation bloc. We have of course seen the ECB state that they believe last month's inflation surge is due to "transitory" factors, predicting that price growth will fall back below its 2% target next year before reaching 1.5% in 2023.
We note that this five-year view from the central bank is not usually leaked to the public, we normally would see ECB expectations published for the next three years, which would be updated each quarter.