

Daily Update

Your daily market news, moves
and outlook



Wednesday, 14th of April

Markets Outlook

Equities: European markets are broadly resuming their quiet rangebound trade as we begin the Q1 earnings season today, traders will likely await further clarity from the larger firms, especially in the States, before committing to one side. The VIX in the US is resting near its one-year lows around the \$16.65 mark after the S&P500 traded through fresh highs last night. Risk assets were also supported yesterday by falling Treasury yields in the US.

Currencies: The Dollar is on the back foot again this week, EUR/USD trading above 1.1970 this morning for the first time in about a month. This move has come on the back of broadly positive sentiment in equity markets which have caused out-flows for the safe-haven greenback, along with lower Treasury yields in the US which means less demand for the currency. Also relevant for the Dollar, the US' CPI inflation result yesterday came in at 0.6% vs 0.5% forecasts - not deemed sufficient enough by markets to change the current Fed thinking.

Safe-havens: Precious metals are flat to slightly higher on Wednesday morning, gold yesterday gaining almost a percent as US inflation ticked higher and Treasury yields moved lower simultaneously. Gold is at \$1,746 this morning, US 10yr yielding 1.64%, German 10yr Bund yielding -0.295%.

Looking ahead: This afternoon market participants will be closely watching as ECB President Lagarde and the Fed Chair Powell both speak, at 3pm and 5pm respectively. Earnings season for the first quarter was kicked off today with Tesco in the UK, we will be watching JP Morgan Chase and Goldman Sachs results later today. Tomorrow we get releases from PepsiCo, Delta Airlines, BlackRock, Citigroup, and Bank of America, followed on Friday by Morgan Stanley, State Street, and Bank of New York Mellon.

Key Events to Watch

14/04/2021 - ECB President Lagarde speaks

14/04/2021 - Fed Chair Powell speaks

15/04/2021 - US Retail Sales

16/04/2021 - Chinese GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,141	0.33%	10.25%
DAX	15,234	0.13%	11.11%
EuroStoxx	3,966	0.13%	11.91%
ISEQ	8,044	0.02%	8.69%
FTSE	6,890	0.02%	6.65%
Nikkei 225	29,620	-0.44%	7.93%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1946	0.31%	-2.10%
EUR/GBP	0.8688	0.27%	-2.88%
GBP/USD	1.3748	0.06%	0.83%
USD/CHF	0.9208	-0.17%	3.99%
USD/JPY	109.05	-0.29%	5.62%
EUR/JPY	130.28	0.02%	3.42%

Fixed Income	Value	Daily Change
US 10yr	1.620	-0.049
US 2yr	0.161	-0.008
Bund 10yr	-0.289	0.004
Irish 10yr	0.078	-0.005
Gilt 10yr	0.780	-0.009
JGB 10yr	0.090	-0.014

Financial News Round Up

Tesco

British multinational groceries and general merchandise retailer Tesco plc have kicked off the Q1 earnings season this morning in Europe, reporting a c.20% fall in their full-year pretax profit as pandemic-related expenses cancelled out its "exceptionally strong" sales over the period.

Tesco's profit before tax came in at £825m, 19.7% lower than the same period one year prior, while its 'total adjusted retail operating profit' was £1.99b ahead of analysts' expectations.

"While the pandemic is not yet over, we're well-placed to build on the momentum in our business. We have doubled the size of our online business and through (the loyalty) Clubcard, we're building a digital customer platform." said chief executive Ken Murphy.

The shares are over 2.5% lower on Wednesday morning to £2.256, slightly lower YTD having lost over 9% of their value during a turbulent 2020. Tesco has a healthy forward-looking P/E multiple of 13 times, along with a TTM P/E of 17 times vs the British Consumer Retailing industry average of just over 23x. The shares have a dividend yield of 5% at current prices.

Irish Economy

The Minister for Finance Paschal Donohoe is set to publish the Stability Programme Update (SPU) on Wednesday, which will include new deficit and growth targets for the Irish economy. According to RTÉ, the update will project growth of 4.5% for Ireland this year, with a budget deficit equal to 4.7% of GDP, with much of this clearly relying on the success and efficiency of the ongoing vaccination programme.

We note that the Department of Finance only posts two sets of economic forecasts each year, the one today and another in October at Budget time. Today's SPU is required under EU budgetary rules.

Modified Domestic Demand, which of course measures the domestic economy, is expected to increase by 2.5% this year and a robust 7.5% in 2022.

Johnson & Johnson

News broke yesterday that federal health agencies in the United States have called for a pause in the use of Johnson & Johnson's successful Covid-19 vaccine, as they examine a rare blood-clotting disorder that has emerged in six individuals (out of the nation's 7 million recipients).

JNJ subsequently announced that it would be delaying the planned rollout of its vaccines in Europe, raising concerns for a programme that is already relatively slow when compared to certain other regions'. Importantly, US officials have stated that they expect the pause to last just "a matter of days", with the CDC's vaccine advisory committee meeting today to discuss whether to continue recommending the vaccine for all ages and cohorts.