

Daily Update

Your daily market news, moves
and outlook



Thursday, 22nd of April

Markets Outlook

Equities: The main indices are higher again in Europe this morning, paring some of the losses from earlier in the week, stock markets on the continent are generally between 0.50% and 1% higher as we write. Increased vaccine supply has helped boost risk sentiment in Europe, along with robust earnings results and no expectations for the ECB to alter their ultra-easy policy later today. The VIX is lower at \$17.21 on Thursday.

Currencies: Euro pairs have seen quiet trade in recent days as we look for further clarity from the ECB early this afternoon. We do not expect any surprises from the central bank, EUR/USD traders will likely turn their attention to earnings season sentiment and the short term direction of both European and US bond yields. EUR/USD and EUR/GBP at 1.2026 and 0.8650 respectively.

Safe-havens: Gold (\$1,790) has seen a strong couple of weeks, the metal up another 0.85% on Wednesday as inflation is already slowly beginning to pick up in some key regions, while central banks reiterate they will not be hiking rates any time soon. Silver has generally followed the yellow metal higher, up almost 5% over the past two weeks to \$26.46. Sovereign bonds were generally quiet yesterday with yields moving slightly lower, US 10yr at 1.555% today.

Looking ahead: The highlight of the day will come from the ECB at 12:45pm Irish time, we expect no changes from the central bank. Tomorrow all eyes will be on the Services and Manufacturing PMI results from Europe and the US throughout the day. Today we are due to see earnings results from Vinci, Intel Corp, AT&T, SAP, Snap, and many more names, followed tomorrow by Daimler, Honeywell, and American Express. Next week we will see some big tech names releasing Q1 results in the US.

Key Events to Watch

22/04/2021 - ECB Rate Decision

23/04/2021 - UK Retail Sales

23/04/2021 - European & US PMIs

28/04/2021 - Fed Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,173	0.93%	11.11%
DAX	15,195	0.44%	11.24%
EuroStoxx	3,976	0.91%	12.57%
ISEQ	7,986	0.24%	8.54%
FTSE	6,895	0.52%	6.94%
Nikkei 225	29,188	2.38%	6.35%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2033	0.00%	-1.40%
EUR/GBP	0.8638	0.06%	-3.24%
GBP/USD	1.3929	-0.05%	1.94%
USD/CHF	0.9169	0.12%	3.37%
USD/JPY	108.05	-0.03%	4.51%
EUR/JPY	130.05	0.00%	3.06%

Fixed Income	Value	Daily Change
US 10yr	1.559	-0.007
US 2yr	0.149	-0.004
Bund 10yr	-0.259	-0.002
Irish 10yr	0.113	-0.005
Gilt 10yr	0.741	0.009
JGB 10yr	0.067	-0.001

Financial News Round Up

Credit Suisse

Global wealth manager, investment bank, and financial services firm Credit Suisse released its Q1 earnings results on Thursday morning, during the release they also stated plans to boost capital reserves after recently taking a multi-billion Dollar hit from the collapse of US investment fund Archegos.

Switzerland's second largest bank (after UBS) saw a 757 million Swiss Franc pre-tax loss during Q1, equivalent to roughly \$825.97m, as Archegos wiped out all the gains made from a strong trading quarter.

Taking a closer look at this result, if we strip out the 4.4 billion Swiss Franc hit and other significant items, Credit Suisse claimed that its gross profit would have been somewhere in the region of 3.6 billion Francs.

"The loss we reported this quarter, because of (the US-based investment fund) matter, is unacceptable" said CEO Thomas Gottstein in his statement this morning, "We expect that our successful MCN placement today will further strengthen our balance sheet and enable us to support the momentum in our core franchise".

This MCN placement refers to new mandatory convertible notes which the bank will issue, and will be convertible into 203 million shares which would net the bank over 1.8 billion Swiss Francs. This move would lift its core capital level from 12.2% to 13%.

The shares are almost 7% lower to 8.74 Swiss Francs following the release this morning, down a whopping 23% YTD and 29% from the day the initial news broke about Archegos. Credit Suisse stocks have a forward-P/E of just 8 times and a TTM P/E of 8.6 versus the Swiss industry average of 19. After the recent pullback in price, Credit Suisse now has a dividend yield upwards of 3.1%.

European Earnings

Analysts are expecting corporations around the continent to exit what has been a two-year profit slump during this earnings season, with forecasts for a roughly 60% surge that outperforms US companies. Analysts from Refinitiv have stated that they now expect profits for companies on the Stoxx600 index to rise by a robust 61% to €79 billion for the first quarter of the year, during which time many of Europe's regions still remained in lockdowns.

We do note that earnings this quarter and next will appear remarkably high across the board, as a result of comparisons to the same period one year prior when regions were desperately attempting to contain the spread of the then-new virus.

We are also already seeing strong earnings momentum in the US this time around, with China having already recovered. These two giants are some two thirds of the global economy and their growth will undoubtedly support Europe to some extent. S&P500 earnings are estimated to come in 31% higher than during Q1 2020.