

Daily Update

Your daily market news, moves
and outlook



Friday, 14th of May

Markets Outlook

Equities: Stock markets have opened roughly half a percent higher in Europe this morning after seeing choppy trade over the past couple of weeks, DAX and EuroStoxx just 1.75% off their 2021 highs on Friday. Equity investors have shown concerns recently about the potential for a sustained rise in inflation, which would of course cause central banks to tighten policy and look at rate hikes down the line. Central bank officials have time and time again reiterated beliefs that inflation spikes during Q2 will prove to be temporary, and that they will maintain near-zero interest rates for years to come.

Currencies: The Dollar is resuming its move lower this morning, with EUR/USD and GBP/USD higher to 1.2115 and 1.4065 as we write. Dollar traders will watch the data releases to come from the US this afternoon, and will of course pay attention to Treasury yields and real rates as we move forward through Q2 and get more inflation results. Next week could be quieter for FX markets as we see less economic data releases.

Safe-havens: Gold has been stable in the face of this week's inflation concerns, the metal up half a percent this morning and looking to finish the week broadly flat at \$1,833. Bond yields have moved higher this week, with the German 10yr bond itself notably trading its lowest prices since May 2019 at a yield of -0.096%

Looking ahead: In terms of economic data attention will shift towards the release of the monthly US Retail Sales figure which is due today at 13:30 Irish time. We will also get Industrial Production and Consumer Sentiment data from the States this afternoon. Next week will be quieter on the data front, the highlight of the week will come next Friday with May's Services and Manufacturing PMI results.

Key Events to Watch

14/05/2021 - US Retail Sales

19/05/2021 - UK CPI Inflation

19/05/2021 - Fed Meeting Minutes

21/05/2021 - European PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,112	1.22%	9.49%
DAX	15,199	0.33%	11.19%
EuroStoxx	3,952	0.13%	11.77%
ISEQ	7,998	-0.93%	9.31%
FTSE	6,963	-0.59%	8.44%
Nikkei 225	28,084	2.32%	2.33%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2078	0.07%	-0.84%
EUR/GBP	0.8594	0.07%	-3.52%
GBP/USD	1.4050	-0.01%	2.82%
USD/CHF	0.9059	-0.35%	2.08%
USD/JPY	109.45	-0.18%	5.99%
EUR/JPY	132.19	-0.13%	5.09%

Fixed Income	Value	Daily Change
US 10yr	1.659	-0.044
US 2yr	0.157	-0.010
Bund 10yr	-0.113	0.012
Irish 10yr	0.310	0.003
Gilt 10yr	0.903	0.014
JGB 10yr	0.082	0.000

Financial News Round Up

Disney

American multinational mass media and entertainment conglomerate Disney announced its Q1 earnings results last night, with its shares falling over 3% during after-hours trade in New York.

During what was the firm's fiscal Q2, from January to April 3rd, adjusted EPS came in at \$0.79 versus analysts forecasts for just \$0.27. We saw a total of 103.6 million new subscribers to Disney+, the firm's streaming service, coming in below forecasts for roughly 109 million. Revenues were also 13% lower than market expectations, coming in at \$15.61 billion, while net income was \$912m and up from \$469m one year prior. Operating income at Disney's media division increased by a robust 74% y/y to \$2.9 billion as profits sharply rose at its domestic and international TV networks. Disney's theme parks reported an operating loss of \$406m as its main California and Paris locations remained shut for the full three month period.

The shares, which are set to open lower today at roughly \$179.19, will have traded about a percent lower so far in 2021, following a strong bounce back last year considering the closure of its theme parks (+25.3% during 2020). Disney stock trades at a forward P/E of 47x at present, which is broadly in line with Netflix as the two compete for future streaming customers. Analysts are expecting revenues to grow by 12.7% per year for the next 5 years vs the broad US market's 9%, as Disney's theme parks fully reopen this summer and international travel subsequently resumes later this year. We reiterate our 'buy' rating on this name, and maintain our \$208 price target which would equate to circa 14% upside from current levels.

Ryanair

Europe's largest budget airline Ryanair has called for the eradication of any travel restrictions from the end of this month onwards between Ireland and both the UK and EU. The company claimed that with the vaccine rollout speeding up in Europe, leading to falling numbers of Covid-19 hospitalizations, restrictions including hotel quarantines should come to an end.

"Ireland's travel restrictions are now outdated, inappropriate and unnecessary for air travel to/from the UK, and the European Union, where successful vaccination programs have eliminated any risk to our hospitals and health services" said CEO Eddie Wilson.

Ryanair will release its FY21 numbers next Monday 17th of May, the airline having already released guidance last month during which they stated expectations for a loss after tax of between €800 and €850 million before exceptional charges. This pre-release also indicated Ryanair has about €3.15b in cash resources, €340m lower than the end of its fiscal Q3, representing a net cash burn of just €26 per week while only carrying 2.3m passengers during Q4.