

Daily Update

Your daily market news, moves
and outlook



Tuesday, 18th of May

Markets Outlook

Equities: Markets have opened higher again this morning in Europe, with the DAX and EuroStoxx50 up between 0.35% - 0.50% as we write. General risk sentiment has been boosted after a couple of Fed officials spoke last night, indicating that rates will not rise until next year as unemployment remains stubbornly high still in the US. Attention will now begin to shift to Wednesday's release of the Federal Reserve's meeting minutes. The CBOE VIX index is lower on Tuesday to the \$19.37 region.

Currencies: The Dollar is on the back foot this morning, EUR/USD and GBP/USD rallying to 1.222 and 1.422 for the first time since late February. This comes after Fed members Robert Kaplan and Richard Clarida made dovish comments last night, pointing to the strong possibility that policy will remain accommodative for some time yet.

Safe-havens: Gold was higher again yesterday and into this morning on the back of the weaker Dollar, the precious metal almost 6% higher in May alone, trading just below \$1,870 today. Treasury yields are trading fairly steady so far in the US this week, indicating to us that bond traders are not necessarily expecting sustained levels of inflation above 2 or 3% in the coming quarters.

Looking ahead: This afternoon will be quieter in terms of data releases, following the UK Unemployment and Eurozone GDP this morning. Tomorrow morning the UK will release its y/y CPI inflation result up to the end of April, with the Fed's latest meeting minutes to come in the evening. In terms of corporate earnings, later today we will see results from Walmart and Home Depot in the States, with Cisco and Porsche releasing on Wednesday.

Key Events to Watch

19/05/2021 - UK CPI Inflation

19/05/2021 - Fed Meeting Minutes

21/05/2021 - European PMIs

21/05/2021 - US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,163	-0.25%	11.12%
DAX	15,396	-0.13%	12.29%
EuroStoxx	4,006	-0.26%	12.81%
ISEQ	8,049	-0.65%	10.23%
FTSE	7,032	-0.15%	8.61%
Nikkei 225	28,406	2.09%	1.39%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2151	0.01%	-0.66%
EUR/GBP	0.8595	-0.25%	-3.57%
GBP/USD	1.4134	0.23%	3.06%
USD/CHF	0.9032	0.19%	1.97%
USD/JPY	109.19	-0.21%	5.80%
EUR/JPY	132.68	-0.20%	5.11%

Fixed Income	Value	Daily Change
US 10yr	1.652	0.019
US 2yr	0.155	0.006
Bund 10yr	-0.116	0.007
Irish 10yr	0.334	0.026
Gilt 10yr	0.871	0.006
JGB 10yr	0.082	0.006

Financial News Round Up

DCC

Irish international sales, marketing, and support services group DCC plc have today released a strong earnings result for the 12-month period up to the end of March, as the firm pointed to robust growth in its healthcare and technology businesses during the pandemic. All of DCC's four divisions saw an operating profit growth over the period despite what it called a "challenging" trading environment.

Overall revenues however were just over 9% lower, coming in at £13.41 billion, down from the previous £14.75b. Operating profit at DCC's LPG division was up by 1.3% to £231.3m, while volumes rose by almost 4%. The company's Retail & Oil arm saw an operating profit increase of 3.3% to £144.8m, with nearly all of this growth being organic. DCC Healthcare generated an exceptional 45.9% surge in operating profit, while DCC Technology operating profit was 11% higher over the year.

"We remain active from a development perspective and are ambitious to build DCC into a global leader in our chosen sectors. We continue to have the platforms, opportunities and capability to do so" said CEO Donal Murphy. "The group is well placed to navigate the ongoing uncertainty, build on our momentum and continue DCC's growth and development into the future" Murphy added.

The shares, which have a forward-looking P/E of 15.7 times at current levels and TTM P/E of under 21 times (versus the industry 24.4x), have gained 16.3% so far this year to trade at £60.30 in London this morning. We reiterate our 'buy' rating after today's stronger than expected FY21 results across all of DCC's key metrics, maintaining our price target of £85 which would equate to 41% upside from this morning's price. In terms of income, DCC also offers a 2.38% dividend yield at current levels, the firm having steadily raised its dividend payout over the last 27 years, DCC today stating that a proposed 12.6% increase in the final dividend would see total dividends for the year rise by 10%.

Eurozone GDP

The Eurozone's double-dip recession during Q1 was confirmed this morning, when its q/q GDP data release came in in line with expectations and with April's early release estimate of -0.6%. This quarterly result also comes in at a -1.8% year-on-year fall for the 19 Euro nations. Taking a closer look at Europe's larger constituents, Germany, Italy, Spain and the Netherlands all saw contractions during Q1, while France's GDP actually grew by 0.4% q/q.

Eurostat also today alluded to the fact that employment fell 0.3% on the quarter after a 0.4% rise during Q4 2020.

UK Unemployment

The United Kingdom saw a better-than-expected unemployment rate result as the figure dropped to 4.8% between January and March, for its third consecutive lower than expected print (vs 4.9% forecasts).

The number of British people in employment was 84,000 higher during Q1, which is the region's first increase since the pandemic began over a year ago.

"With many businesses reopening, the recent recovery in job vacancies continued into April, especially in sectors such as hospitality and entertainment" said Darren Morgan, Office for National Statistics' director of economic statistics.