

Daily Update

Your daily market news, moves
and outlook



Friday, 21st of May

Markets Outlook

Equities: The main indices are slightly higher in Europe on Friday morning, as these risk assets on the continent look to finish the week flat. Sentiment has been boosted by a release from the WHO stating that the vaccines being used in Europe at present appear able to protect against all variants. Earnings season has continued in its strong run of form in Europe this week, in addition. In the US futures are higher this morning after yesterday's bounce in prices, the VIX lower to 20.62 at the time of writing.

Currencies: USD has lost further ground this week, with EUR/USD now flirting with its highest levels since the beginning of the year around the 1.2230 mark. Similarly, cable has caught a bid this week now trading up to 1.4215. This move in the greenback has come as concerns has been eased recently about the Federal Reserve potentially tapering back their QE. This week's Fed meeting minutes hammered the point that rates will likely remain at the zero bound in the US until 2023.

Safe-havens: Sovereign bond markets have had a quiet week, as inflation concerns are eased somewhat and the likelihood for central bank tightening this year remains low. US 10yr staying range-bound, yielding 1.63% on Friday while the German 10yr trades at -0.12%.

Looking ahead: This afternoon focus will shift towards the US PMI results to come at 2:45pm Irish time, ECB President Lagarde will also speak at noon today. Next week will be quieter on the economic data front, the RBNZ will release their rate decision on Wednesday morning followed by the highlight of the week which will come in the form of the quarterly US GDP reading on Thursday. Earnings season will continue to wind down next week with some smaller European names releasing.

Key Events to Watch

21/05/2021 - US PMIs
25/05/2021 - German IFO Business Climate
25/05/2021 - US Consumer Confidence
27/05/2021 - US GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,159	1.06%	10.73%
DAX	15,370	1.70%	12.44%
EuroStoxx	3,999	1.60%	13.02%
ISEQ	8,011	1.06%	8.94%
FTSE	7,019	1.00%	8.55%
Nikkei 225	28,317	0.78%	3.18%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2226	0.44%	0.05%
EUR/GBP	0.8614	-0.09%	-3.48%
GBP/USD	1.4189	0.54%	3.70%
USD/CHF	0.8971	-0.74%	1.38%
USD/JPY	108.75	-0.42%	5.31%
EUR/JPY	132.96	0.02%	5.37%

Fixed Income	Value	Daily Change
US 10yr	1.628	-0.048
US 2yr	0.147	-0.012
Bund 10yr	-0.197	0.003
Irish 10yr	0.304	-0.026
Gilt 10yr	0.842	-0.007
JGB 10yr	0.077	0.001

Financial News Round Up

Data This Morning

Business growth in Europe has rallied at its fastest rate in over three years this month as a strong bounce-back in the region's services industries have added to the momentum of an already booming manufacturing sector. These robust PMI results this morning reflect the further lifting of restrictions in many key parts of Europe as vaccine supplies are greatly increased, suggesting that the economic recovery is now underway for the bloc.

- Eurozone Manufacturing PMI: 62.8 vs 62.5 expectations.
- Eurozone Services PMI: 55.1 vs 52.5 expectations.
- German Manufacturing PMI: 64.0 vs 66.0.
- German Services PMI: 52.8 vs 52.0.
- French Manufacturing PMI: 59.2 vs 58.6.
- French Services PMI: 56.6 vs 53.0.
- UK Manufacturing PMI: 66.1 vs 60.7.
- UK Services PMI: 61.8 vs 62.2.

In addition to the above PMI results for Europe we have also seen robust Retail Sales readings come from the United Kingdom this morning, at 9.2% m/m for April versus forecasts for just 4.5%. This is the UK's highest result since June 2020 as non-essential shops reopened across the nation.

Hibernia REIT

Dublin-based real estate investment trust Hibernia REIT has raised €125 million in debt from five new American investors, it has emerged this morning. The debt will range from 10 to 12 year terms, with a rate of 1.9%, and more than doubles the amount of cash and undrawn debt the firm has at its disposal.

We believe this new issuance adds to Hibernia's financial capacity and demonstrates management's intentions to move forward with the development of its Clanwilliam Court and Harcourt Square projects.

The shares are marginally lower YTD to €1.146, Hibernia currently has a forward-looking price to earnings of just over 18 times. With its strong and consistently growing dividend (4.15% yield at current prices), and sustainable payout ratio at present of 67% we reiterate our 'buy' rating and see the REIT as a strong income play. We maintain our price target of €1.35, indicating a possible 18.4% upside from today's levels.

Global Minimum Corporate Tax

The United States yesterday called for a global minimum corporate tax level of at least 15%, down from the original 21% that it proposed for the overseas revenues of US businesses.

The new US Treasury Secretary Janet Yellen has argued for a global effort to end the so-called 'race to the bottom' for corporation tax rates. Such competition has of course eroded the revenues of certain governments in recent years (such as the US), who have now run up record levels of debt amid the pandemic.

The offer moves the US closer to the 12.5% rate that had been discussed at the OECD before the US re-engagement in the negotiations following Biden's election win.

Ireland's corporation tax rate at present sits at 12.5%.