

Daily Update

Your daily market news, moves
and outlook



Tuesday, 25th of May

Markets Outlook

Equities: Markets are trading between 0.50% and 1% higher in Europe this morning, Germany's DAX30 index making up for yesterday's closure as it trades through its all-time high on Tuesday around 15,555. In the US, tech futures this morning are leading the rally, indicating to us that inflation fears have been pushed to the side, at least for now. VIX is lower on the back of equity strength this morning, trading down to \$18.35 as we write.

Currencies: Another day, another lower session for the greenback, as EUR/USD climbs to 1.2255 on Tuesday morning, its highest prices since early January. GBP/USD is marginally higher today to 1.4185. This further Dollar weakness has come as Fed officials in recent weeks have reiterated that the central bank's ultra-easy policies are here to stay. Away from the Dollar, EUR/GBP has been steady between 0.86 and 0.8650 for the last week or so.

Safe-havens: Gold markets are generally flat on the week so far, the metal having found some resistance and paused at \$1,885 in recent sessions. Gold will likely remain fairly subdued until we get the release of US GDP on Thursday and US inflation data on Friday afternoon. Similarly, bond markets are expected to remain quiet today and tomorrow, US Treasuries seeing slightly lower yields this week, the benchmark 10yr yielding below 1.6% for the first time in a couple of weeks.

Looking ahead: In terms of economic data, this afternoon will be on the quieter side, with the US' Consumer Confidence the only release to note. Similarly, tomorrow will be quiet for data, the RBNZ releasing their latest rate statement in the early hours. Tomorrow we are due to get Q1 earnings results from Marks & Spencers, Nvidia Corp, Hibernia REIT, and C&C, followed on Thursday by Aviva, Dell, and Costco.

Key Events to Watch

25/05/2021 - US Consumer Confidence

26/05/2021 - RBNZ Rate Decision

27/05/2021 - US GDP

28/05/2021 - US PCE Inflation

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,197 | 0.99% | 11.74% |
| DAX | 15,536 | (Closed) | 13.30% |
| EuroStoxx | 4,035 | 0.24% | 13.97% |
| ISEQ | 8,157 | 0.35% | 11.23% |
| FTSE | 7,051 | 0.48% | 9.09% |
| Nikkei 225 | 28,553 | 0.67% | 4.04% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.2215 | 0.28% | 0.38% |
| EUR/GBP | 0.8625 | 0.13% | -3.36% |
| GBP/USD | 1.4155 | 0.10% | 3.91% |
| USD/CHF | 0.8969 | -0.06% | 1.04% |
| USD/JPY | 108.74 | -0.16% | 5.21% |
| EUR/JPY | 132.79 | 0.09% | 5.61% |

| Fixed Income | Value | Daily Change |
|--------------|--------|--------------|
| US 10yr | 1.603 | -0.017 |
| US 2yr | 0.151 | -0.004 |
| Bund 10yr | -0.140 | -0.013 |
| Irish 10yr | 0.276 | -0.014 |
| Gilt 10yr | 0.810 | -0.021 |
| JGB 10yr | 0.072 | -0.005 |

Financial News Round Up

Greencore

Irish food company Greencore Group plc has reported its earnings results for the six-month period up to March 26th, during which time it saw a 19% fall in group revenue due to a cutback in consumer mobility as a direct result of Covid restrictions.

The company saw its revenue drop from £712.7m one year ago, to £577.1m, while group operating profits plunged 89% from £35.6m to £3.9m. Adjusted losses before tax came in at £7.9m compared to a profit of £31.1m one year prior. In addition, the group stated that it had a robust liquidity position with cash and undrawn debt facilities of £302m at the end of March.

CEO Patrick Coveney alluded to the fact that the firm's fiscal H1 has been a challenging one, "But the consistent build in our revenues since early March as lockdown measures have eased and Covid-19 cases have fallen give us real cause for optimism", "Our focus now is on rebuilding revenue, profitability and cash flow momentum as the UK economy reopens." he went on to add.

The shares are a significant 13% lower to £1.468 this morning after this latest release from Greencore, however still 26% higher YTD as the stock traded up from a low January base of just £1.092. Greencore had a forward-looking P/E of 33x at last night's close. The firm re-introduced guidance today, now forecasting its current fiscal year 2021 adjusted operating profit to come in ahead of the £32.5m attained the year prior.

German GDP

At 7am this morning we got the release of Germany's 'Final GDP' q/q reading, showing that the German economy shrank by more than expected during Q1. This 'Final' figure is the second of two Q1 GDP results for Germany, and generally does not have an effect on markets, coming about 10 days after the release of the region's 'Preliminary GDP' release which of course carries more weight for investors.

The quarterly result came in at -1.8% versus forecasts for -1.7%, with the y/y result at -3.1% vs -3% expectations, weaker than the Eurozone average. German household spending was 5.4% lower in the first quarter, with the nation's savings rate rising to a record high of 23.2%. Net trade came in lower over the three-month period, as imports rose by 3.8% vs exports which were just 1.8% higher.

UK Public Borrowing

According to the Office for National Statistics in the UK, public sector net borrowing came in slightly below expectations for the region in April at £31.69 billion, down from £47.31b a year earlier. The figure records the difference in value between spending and income for public corporations, the central government, and local governments during the previous month, with a positive result of course indicating a budget deficit.

In the 12 months to the end of March 2021, the United Kingdom borrowed £300.3 billion, which equates to 14.3% of its GDP and is its highest peacetime deficit ever. Forecasters are estimating that borrowing will drop to 10.3% of GDP for the current financial year which will end in March 2022.