

Daily Update

Your daily market news, moves
and outlook



Thursday, 1st of July

Markets Outlook

Equities: European markets are looking to undo yesterday's losses, with the main indices roughly 1% stronger as we write. Volatility remains low as market participants are beginning to focus on tomorrow's NFP data, concerns about fresh lockdowns amid the Delta variant spread remain to be a theme into July. The VIX is lower on Thursday to \$15.47 as futures rally this morning in the US.

Currencies: The Dollar has touched its highest levels since early April, Euro down to \$1.1845 and Sterling to \$1.378. The greenback has just posted its best month since November 2016, as the Dollar Index reaches 92.54, helped by a more hawkish turn by the Federal Reserve earlier in June. The Dollar has also gained some support as of late due to recent concerns about the Delta strain, which is of course threatening the wider reopening narrative. FX volatility is forecast to remain low along with other asset classes until tomorrow afternoon.

Safe-havens: Gold has moved back up into its range from last week, after trading over half a percent higher between yesterday and this morning. The metal trades back to \$1,773 on Thursday morning, still down about 7% YTD. Medium to Longer duration government bond markets continue to point to the argument that inflation will be temporary, the US 10yr yield lower this week to 1.476% while Germany's equivalent has been in negative territory for over 2 years now, yielding -0.184% today.

Looking ahead: This afternoon we will get the US 'ISM Manufacturing PMI' figure, coming at 3pm Irish time and expected at 61.0 vs last month's 61.2. Markets could remain subdued ahead of tomorrow's jobs data to come from the States. We will also see the ECB President Christine Lagarde speaking again tomorrow afternoon.

Key Events to Watch

01/06/2021 - US ISM Manufacturing PMI
02/06/2021 - ECB President Lagarde speaks
02/07/2021 - US Non-Farm Payrolls
07/07/2021 - Fed Meeting Minutes

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,297 | 0.13% | 14.51% |
| DAX | 15,531 | -1.02% | 14.42% |
| EuroStoxx | 4,064 | -1.05% | 15.69% |
| ISEQ | 8,174 | -0.73% | 12.22% |
| FTSE | 7,037 | -0.71% | 10.21% |
| Nikkei 225 | 28,707 | -0.29% | 4.60% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.1855 | -0.34% | -2.99% |
| EUR/GBP | 0.8571 | -0.28% | -3.99% |
| GBP/USD | 1.3827 | -0.06% | 1.08% |
| USD/CHF | 0.9249 | 0.47% | 4.65% |
| USD/JPY | 111.10 | 0.54% | 7.78% |
| EUR/JPY | 131.71 | 0.21% | 4.54% |

| Fixed Income | Value | Daily Change |
|--------------|--------|--------------|
| US 10yr | 1.468 | -0.007 |
| US 2yr | 0.252 | 0.000 |
| Bund 10yr | -0.203 | -0.030 |
| Irish 10yr | 0.177 | -0.038 |
| Gilt 10yr | 0.718 | -0.022 |
| JGB 10yr | 0.037 | -0.010 |

Financial News Round Up

Grafton Group

UK and Ireland-based builders merchants business Grafton Group plc has announced it will sell its traditional merchanting business to the British Huws Gray for an enterprise value of £520m. Huws Gray is one of the UK's largest independent builders' merchants and is backed by Blackstone.

This deal follows Grafton's April announcement that it will carry out a strategic review of its business. Grafton saw revenues of £828.2m in the 12-month period to December 2020, with an adjusted operating profit of £18.8m. The firm stated today that it expects this new divestment to close by the end of Q1 2022 and that completion is non-conditional on the outcome of the CMA process.

Grafton shares, up 4% this morning to £11.94, have gained almost 30% YTD so far, and have a forward-looking P/E multiple of 15.7 times. In terms of income, the shares yield a dividend of 1.26% at current levels and have a sustainable pay-out ratio of 32%.

Irish Manufacturing

According to AIB's monthly Purchasing Managers' Index (PMI), Ireland saw its manufacturing sector continue to rebound during June as more sectors slowly reopened and restrictions were eased. Interestingly, new orders increased at their fastest ever pace, leading to the second strongest expansion in output to date.

Ireland's June result for this PMI came in at 64.0, down marginally from May's all-time high of 64.1, and was clearly well above the 50.0 expansion-contraction border mark.

Looking at the data from a quarterly perspective, Ireland saw a reading of 62.9 for Q2, a new record high, flying past the previous quarterly record of 58.6 from 1999.

"Activity in the sector is clearly picking up strongly as economies re-open following the easing of Covid restrictions in Ireland and elsewhere over the second quarter of the year" stated Oliver Mangan, chief economist at AIB.

Central Bank of Ireland

The central bank have released their quarterly economic bulletin this morning, in which they have forecasted robust GDP growth of 8.3% in 2021 followed by 5.4% next year. The main driver of growth in Ireland will continue to be exports of pharmaceuticals and computer services. Inflation, measured by the 'Harmonised Index of Consumer Prices' (HICP), is forecast to average at 1.8% this year, 2.0% next and then 1.7% in 2023.

Looking at Modified Domestic Demand, which measures activity in the domestic economy, 3.4% is expected this year and 5.6% next. The central bank estimate that unemployment (including those on the PUP), will average out at 17.6% in 2021 and then falling to 8.5% next year.