

Daily Update

Your daily market news, moves
and outlook



Thursday, 15th of July

Markets Outlook

Equities: Risk assets are slightly lower on Thursday following a very quiet close to last night's session, the VIX is broadly flat on the week so far at \$16.60. Equity investors will continue to digest the corporate earnings results to come over the next few trading sessions, along with any communication from central bank officials. The Delta variant situation is still an evolving one for Europe, the UK witnessed 42,000 new Covid cases yesterday, as they plan on fully reopening in a matter of days.

Currencies: The Dollar was on the back foot on Wednesday after comments from Powell - stating that it was too early to withdraw the Fed's hefty monetary support for the economy, EUR/USD now back up to 1.185 this morning.

Safe-havens: Gold has rallied this week on the back of stronger US and UK inflation results, and then a still-dovish Jerome Powell last night helped the metal higher still. Gold moving as high as \$1,834 this morning for the first time since the Federal Reserve release a full month ago. Treasury yields are unsurprisingly heading lower after Powell's comments, US 10yr down to 1.31%, 2yr to 0.22%.

Looking ahead: This afternoon at 2:15pm we will see US Industrial Production results, expected at 0.6% month-on-month, which will be followed by a speech from Fed Chair J Powell at 2:30pm. Looking ahead, the Bank of Japan will release its latest monetary policy decision tonight, and then the US monthly Retail Sales figures are due tomorrow just after lunch. In terms of earnings: Bank of New York Mellon, US Bancorp, UnitedHealth Group, Morgan Stanley, and Investor AB will all report later today, followed tomorrow by Charles Schwab, Husqvarna, and State Street.

Key Events to Watch

15/07/2021 - US Industrial Production

15/07/2021 - Fed Chair Powell speaks

16/07/2021 - BOJ Rate Decision

16/07/2021 - US Retail Sales

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,374	0.12%	16.46%
DAX	15,788	0.00%	14.50%
EuroStoxx	4,099	0.12%	14.93%
ISEQ	8,117	-0.45%	9.89%
FTSE	7,091	-0.47%	9.78%
Nikkei 225	28,279	-1.15%	3.04%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1835	0.52%	-3.10%
EUR/GBP	0.8538	0.19%	-4.14%
GBP/USD	1.3856	0.35%	1.11%
USD/CHF	0.9149	-0.38%	3.30%
USD/JPY	109.99	-0.56%	6.35%
EUR/JPY	130.13	-0.08%	3.05%

Fixed Income	Value	Daily Change
US 10yr	1.349	-0.069
US 2yr	0.225	-0.029
Bund 10yr	-0.320	-0.021
Irish 10yr	0.074	-0.021
Gilt 10yr	0.630	-0.003
JGB 10yr	0.012	0.005

Financial News Round Up

Chinese GDP

In the early hours of this morning we saw China release GDP results for Q2, the figure coming in at 7.9% versus the same period one year ago, a slight miss of the 8.0% expectations from a group of analysts.

The world's second largest economy was reportedly weighed down by higher raw material costs and new Covid outbreaks during the period, as expectations continue to build that Chinese policymakers may need to do more to support their recovery.

Chinese growth slowed from a notable 18.3% q/y reading in Q1, albeit this figure was heavily skewed by the base effects from the pandemic-induced collapse in the first quarter of 2020.

On a quarter-by-quarter basis, GDP rose by 1.3% in April-June, versus predictions for between 1% and 1.2% according to a Reuters poll. The Chinese government has previously stated that they are targeting growth of 6% this year.

China's retail sales increased by 12.1% in the 12 months to the end of June, which compares to May's 12.4% and April's 17.7%, highlighting the continued pressure on domestic consumer spending and an uneven economic recovery. Industrial Production for the nation was 8.3% y/y, vs the previous 8.8% and 7.8% forecasts.

Glanbia

Irish global nutrition group Glanbia released a trading update this morning, upgrading its 2021 growth guidance from 6-12% to the new 17-22% estimate.

The firm said that revenues were 20% stronger on a constant currency basis during H1. While the group will remain cautious with regard to the "volatile and disruptive" potential of the Covid-19 pandemic, it said that strategic actions have allowed for a "strong recovery" during the past 6 months.

The shares are over 3.5% stronger following the release this morning, rallying to €14.80. On a forward-looking P/E of 17x, a TTM P/E of 28x vs the industry average of 21, and a dividend yield at last night's close of 1.9%, the stock has gained an impressive 43% YTD. This move came from a relatively low base at the start of the year and has brought price back to the bottom of its 2015-2019 range. While the stock has seen strong upside so far this year, we expect further modest gains during H2, on the back of today's release.

Corporation Tax

Minister for Finance Paschal Donohoe has said he is "so committed" to keeping Ireland's low corporate tax rate, and will not be signing up to the new international tax agreement in its current form. "We are committed to the negotiation to see if we can enter the agreement at some point, but I am making the case for 12.5%". 130 nations have so far signed up to the plan, that would look to bring in new reforms to global corporation tax rules across the board.

"Early next week I am going to launch a public consultation on the agreement as currently drafted, to really brief our business community stakeholders in Ireland regarding what is there at the moment and how things could change." he added.