

Daily Update

Your daily market news, moves
and outlook



Thursday, 29th of July

Markets Outlook

Equities: Markets are between 0.20% and 0.50% stronger across the continent on Thursday morning, helped by a series of positive corporate earnings and after the Fed concluded its latest meeting last night. The Q2 earnings season has been largely positive for Europe so far, as companies continue to benefit from the steady easing of restrictions. Asian equities were broadly positive overnight, with Japan's Nikkei225 gaining 0.7%. The VIX sits at \$17.77 as futures in the US remain steady following the Fed release yesterday.

Currencies: The US Dollar has been on the back foot since last night when the Federal Reserve indicated that rate hikes in the US are still some way off. EUR/USD is now sitting at a resistance point from recent weeks, at 1.1875 and flirting with its highest levels since late June, while GBP/USD is this morning rallying through 2-month highs and once again approaching the 1.40 mark.

Safe-havens: Gold is pushing over 1% higher on Thursday following a slightly more dovish Fed than was priced in by markets. A weaker Dollar has helped boost the precious metal, which is now trading above \$1,820 for the first time since early last week. The more volatile silver trades over 2.5% higher so far on the session to \$25.54, however still near the lower end of its range of the last year.

Looking ahead: The highlight of the day will come in the form of the q/q US GDP result, due at 1:30pm Irish time and expected to come in at 8.5% vs the previous 6.4%. Tomorrow morning we will get the same q/q GDP releases from key Eurozone nations, followed in the afternoon by the US Core PCE index reading. This PCE is the Fed's preferred inflation metric, and is forecast at 0.6% m/m after last month's 0.5% result. After a slew of corporate earnings from Europe this morning, we will see L'Oréal, Mastercard, and Amazon all release later today, followed tomorrow by BNP Paribas, Vinci, Engie, Aon, Linde, ExxonMobil, Kerry Group, Chevron, Renault, and Siemens Gamesa.

Key Events to Watch

29/07/2021 - US GDP

30/07/2021 - German GDP

30/07/2021 - US PCE Inflation

31/07/2021 - Chinese Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,400	-0.02%	17.16%
DAX	15,570	0.33%	13.52%
EuroStoxx50	4,103	0.94%	15.79%
ISEQ	8,349	0.72%	13.47%
FTSE	7,016	0.29%	8.89%
Nikkei 225	27,782	0.73%	1.23%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1842	0.24%	-2.83%
EUR/GBP	0.8518	0.09%	-4.71%
GBP/USD	1.3898	0.17%	2.00%
USD/CHF	0.9099	-0.48%	2.62%
USD/JPY	109.90	0.13%	6.41%
EUR/JPY	130.14	0.36%	3.40%

Fixed Income	Value	Daily Change
US 10yr	1.238	-0.001
US 2yr	0.203	-0.004
Bund 10yr	-0.447	-0.006
Irish 10yr	-0.025	0.005
Gilt 10yr	0.573	0.014
JGB 10yr	0.013	0.001

Financial News Round Up

Fed Last Night

The Federal Reserve, at the end of its two-day meeting last night, announced that it had made "progress" towards its twin objectives of full employment and 2% average inflation, however that it was not yet sufficient to warrant any change to monetary policy right now.

The US central bank pointed to the fact that any tapering of its huge asset-purchasing programme would require additional improvements in the country's economy, with the Fed Chair J Powell stating that there was more "ground to cover" before the bank will act. "We expect further progress, and we expect that if things go well then we will reach that goal" he said. "And when we reach it, and the committee is comfortable that we have reached it, then we'll taper at that point."

This meeting has of course come at a time of conflicting signals from the US economy, with inflation running hot, at least for now, while the spread of the Delta variant has also renewed concerns about the region's labour market and growth.

The discussion around when the Fed will choose to begin tapering its QE programme has been a major concern for investors as of late, given the fact that this asset-purchasing has been a significant factor for equity markets during the Covid rebound.

Sanofi

French multinational pharmaceutical company Sanofi has raised its annual profit guidance this morning after reporting stronger than expected second quarter results. The group now expects annual EPS to increase by 12% on a constant currency basis, up from its previous guidance for "high single digit" improvements.

Revenues increased by 12.4% y/y during the three-month period to €8.7b, beating analysts' estimates for €8.4b. EPS came in at €1.38 vs €1.29 forecasts. While the company could not comment on whether their potential Covid-19 vaccine could be a real driver of profits, it alluded to the fact that its shot may be useful as a booster, should it become available this coming winter. Sanofi were able to confirm today that their vaccine, which is being developed with GSK, remains on track for potential approval by the end of 2021.

Sanofi's shares are 1% higher to €88.45 following the release on Thursday, now up over 12% YTD. The stock continues to trade at a discount to its direct peers in Europe, on a forward-looking P/E of 13.6x. Sanofi also yields 3.65% in terms of a dividend and has an excellent payout history.

Facebook

US tech giant Facebook yesterday announced that it expects its revenue growth to "decelerate significantly", a move which sent its shares 4% lower in after-hours trade on Wall Street last night. The firm did however see total revenues come in at \$29.08 billion, an impressive 56% higher than the \$18.69b this time last year, as it pointed to a 47% surge in price per ad on its platform. Net income came in at \$10.4 billion, equating to \$3.61 per share vs forecasts for \$3.03 per share.

"In the third and fourth quarter of 2021, we expect year-over-year total revenue growth rates to decelerate significantly on a sequential basis as we lap periods of increasingly strong growth" the company said.