

Daily Update

Your daily market news, moves
and outlook



Tuesday, 17th of August

Markets Outlook

Equities: European stock markets are trading lower for the second consecutive session, with many indices having touched all-time highs late last week as volatility fell. The main indices on the continent are about 0.40% lower on Tuesday morning, weighed slightly by earlier losses in Asia on the back of fresh Chinese regulatory fears. China has issued a set of draft regulations for its internet sector in the early hours of this morning, the latest move in a crackdown on the country's powerful tech names. VIX is marginally higher to \$16.95 on Tuesday, but still fairly subdued this week so far.

Currencies: EUR/USD, which has remained in the 1.17 - 1.19 range for a couple of months now, is trading flat this morning at 1.178. As a safe-haven currency, the Dollar will likely remain in focus should the situation in Afghanistan continue to deteriorate. Focus will also of course stay on the Delta variant as different economies look to ease into full re-openings. A potential risk event for the greenback could be Powell's speech later today, however the Fed's leader is not widely expected to address monetary policy but will rather wait until the central bank's 'Jackson Hole Symposium' next week.

Safe-havens: Gold is climbing again this morning, back to \$1,795 as investors look towards Fed comments at next week's symposium. Yields on both sides of the Atlantic are heading lower today on a slight risk-off tone.

Looking ahead: In terms of economic data releases, this afternoon's highlight will come from the US' Retail Sales figure, and the Fed Chair J Powell will also speak today at 18:30 Irish time. Tomorrow we are due to get earnings results from the likes of Carlsberg AS, Persimmon plc, Target Corp, NVIDIA, and Cisco Systems, followed later in the week by Estee Lauder, Applied Materials Inc, Kingspan, and Deere & Co.

Key Events to Watch

17/08/2021 - US Retail Sales

17/08/2021 - Fed Chair Powell speaks

18/08/2021 - UK CPI Inflation

18/08/2021 - Fed Meeting Minutes

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,479 | 0.26% | 19.26% |
| DAX | 15,925 | -0.32% | 15.45% |
| EuroStoxx | 4,202 | -0.64% | 17.59% |
| ISEQ | 8,708 | -0.86% | 17.54% |
| FTSE | 7,153 | -0.90% | 10.42% |
| Nikkei 225 | 27,424 | -0.36% | -0.07% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.1777 | -0.15% | -3.67% |
| EUR/GBP | 0.8501 | -0.07% | -4.48% |
| GBP/USD | 1.3850 | -0.10% | 0.89% |
| USD/CHF | 0.9120 | -0.38% | 3.02% |
| USD/JPY | 109.23 | -0.36% | 5.74% |
| EUR/JPY | 128.64 | -0.51% | 1.86% |

| Fixed Income | Value | Daily Change |
|--------------|--------|--------------|
| US 10yr | 1.268 | -0.015 |
| US 2yr | 0.213 | 0.002 |
| Bund 10yr | -0.466 | -0.003 |
| Irish 10yr | -0.057 | 0.004 |
| Gilt 10yr | 0.568 | -0.010 |
| JGB 10yr | 0.007 | -0.007 |

Financial News Round Up

Vaccine Update

The second attempt at a successful Covid-19 vaccine from the British GSK and its partner the German CureVac has induced a stronger immune response than the companies' first jab. The partnering firms have stated that in an animal study, its mRNA vaccine has activated antibodies capable of tackling multiple variants (including Delta and Lambda). A phase 1 clinical trial on humans will commence during Q4, we are told, with the head of vaccines research and development at GSK stating that "the strong immune response and protection in pre/clinical testing of this second-generation mRNA backbone are very encouraging and represent an important milestone".

These new animal study results, which were released yesterday, come after CureVac's losses extended in the second quarter. The group had been investing heavily in the development of vaccines and expanding production for its first-generation Covid vaccine, which ultimately proved not to be efficacious enough. CureVac's operating losses came in at €147.8m during Q2, with revenue falling 35% to €22.4m.

Biden on Afghanistan

US President Joe Biden spoke on Monday, shifting the blame for the turmoil in the Afghan capital Kabul onto the overthrown Afghan government and its inadequate security forces. Biden stated that the inability of the US-backed authorities to deflect the Taliban proved he was correct to withdraw American troops.

"How many more generations of Americans' daughters and sons would you have me send to fight Afghanistan's civil war when Afghan troops will not?" the US President said as he addressed the nation on Monday, "How many more lives, American lives, is it worth?". He spoke as Kabul's airport, the last secure territory for foreign nationals and diplomats in Afghanistan, continued to become less stable.

BHP

Anglo-Australian mining firm BHP released its latest set of quarterly results earlier this morning, the company saw an underlying profit of \$17.08 billion during Q2, missing expectations slightly. BHP's EBITDA came in at \$37.38b (69% higher than one year prior) versus forecasts for \$37.18b (42% increase), and revenues of \$60.82b versus estimates for \$59.27b.

Importantly, the mining company announced plans to unify its dual-corporate structure and will move its primary stock market listing to Australia. This move comes as BHP also announced a deal to exit oil and gas by merging this business with Australia's Woodside Petroleum, two moves which are some of the most radical corporate changes in the firm's history.

Our preferred mining stock at present continues to be the London-listed Rio Tinto, with its favourable forward-looking P/E (5.9x vs BHP's 9.0x), robust dividend yield of over 12% on this latest price pullback (vs BHP's 4.1% and industry average of 3.6%), and its strong exposure to iron ore (c.70% of EBITDA).