

Daily Update

Your daily market news, moves
and outlook



Wednesday, 25th of August

Markets Outlook

Equities: Equity markets are seeing quiet trade and low volatility this morning, following on in similar fashion from Tuesday's session. The main indices on the continent are flat to marginally higher today, broadly in line with futures in New York. The VIX volatility index is trading lower so far, sitting at \$17.20 at the time of writing.

Currencies: The Dollar is flat this morning, but remains near one-week lows as confidence rises that the latest surge in delta cases will have a limited impact on the global recovery. Dollar pairs will remain quiet for the rest of the day and will likely see low volatility until Friday afternoon when Powell speaks. A more hawkish Fed could lead to multi-month highs for the greenback next week, while more dovish should weaken the currency in the near-term.

Safe-havens: Gold is slightly higher on the week so far, the metal briefly pushing above \$1,800 before pulling back today. Gold volatility should remain low today and tomorrow - in line with FX volatility. Yields in the US have risen yesterday and into this morning, the benchmark 10yr touching 1.3% for the first time in about 2 weeks. Germany's 10yr bond has seen broadly sideways trade for a few weeks now, yielding a negative 46 basis points this morning.

Looking ahead: All eyes will begin to shift to Thursday and Friday, tomorrow we will get a Q2 q/q GDP result from the US at 1:30pm Irish time, and will see the Jackson Hole Symposium kick off. On Friday afternoon we will get the US Core PCE inflation reading release, followed at 3pm by Jerome Powell's much anticipated speech at the Symposium. Tomorrow morning we are due to get quarterly earnings results out of CRH, followed by HP, Dollar General Corp, and Dollar Tree in the afternoon/evening.

Key Events to Watch

26/08/2021 - US GDP
26/08/2021 - Jackson Hole Symposium begins
27/08/2021 - US Core PCE Inflation
27/08/2021 - Fed Chair Powell speaks

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,486	0.15%	19.44%
DAX	15,905	0.33%	15.96%
EuroStoxx	4,178	0.04%	17.74%
ISEQ	8,702	0.36%	18.26%
FTSE	7,125	0.24%	10.43%
Nikkei 225	27,724	-0.03%	1.02%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1753	0.09%	-3.87%
EUR/GBP	0.8559	0.01%	-4.15%
GBP/USD	1.3727	0.07%	0.34%
USD/CHF	0.9122	0.00%	3.22%
USD/JPY	109.62	-0.05%	6.31%
EUR/JPY	128.84	0.03%	2.20%

Fixed Income	Value	Daily Change
US 10yr	1.297	0.044
US 2yr	0.224	-0.002
Bund 10yr	-0.477	0.001
Irish 10yr	-0.063	0.008
Gilt 10yr	0.540	0.003
JGB 10yr	0.020	0.001

Financial News Round Up

Grafton Group

UK and Irish-based builders merchants business Grafton Group plc announced stronger than expected H1 results this morning, driven in part by record profit contribution from its Woodies DIY, Home and Garden retail business. The company noted that half year profitability at Chadwicks was also materially higher than the pre-Covid result from the first half of 2019.

First-half revenues climbed by 46% from the same period one year prior, up from £704m to a notable £1.028 billion, while adjusted profit before tax jumped by 340% to £148.6m from £33.8m.

"2021 marks a key phase of a very considered strategic transformation we have executed at Grafton over recent years, which today comprises a portfolio of high returning, differentiated businesses with the capacity to grow and outperform in our chosen markets" said CEO Gavin Slark, "The overall outlook for the Grafton business is positive given the strength of our current market positions, geographic diversity, strong balance sheet and investment pipeline, alongside supportive sector and macro trends together with the successful rollout of vaccines to date in the four countries where the group now operates." he added.

The stock is trading over 3% higher on Wednesday morning following this latest release, and now over 46% higher YTD. With its forward-looking P/E of 18.3x, and TTM P/E of 29x, the stock is trading broadly in line with its industry averages. After this morning's rally, Grafton is now yielding 1.1% in terms of its dividend payouts, which are well covered by its stable 32% pay-out ratio.

Afghanistan

Following last night's emergency G7 meeting held by Boris Johnson, US President Joe Biden has decided to stick to his plan to withdraw American troops from Afghanistan by August 31st, defying international pressure from European allies and others to allow more time for evacuations. We do note that Biden has ordered his national security team to come up with contingency plans if he determines that a delay is required.

"The completion by August 31st depends on the Taliban continuing to cooperate, allowing access to the airport for those who we're transporting out, and no disruption to our operations" said the US President in an address from the White House yesterday, "I've asked the Pentagon and the State Department for contingency plans to adjust the timetable, should that become necessary".

This follows many criticisms that the administration is going to leave behind American citizens and Afghan allies who have aided US forces over the past two decades if the military evacuation is not extended.

According to the Financial Times today, an estimated 58,700 evacuees will leave Afghanistan to be relocated in the US, 8,600 to be relocated in the UK, 3,740 in Italy, 3,650 in Germany, with smaller figures as the list goes on through different countries including Pakistan, Turkey, France, Poland, India, and others.