

Daily Update

Your daily market news, moves
and outlook



Friday, 27th of August

Markets Outlook

Equities: Equities on the continent are mixed but quiet on Friday morning, while futures in the States are pushing slightly higher after the region's pullback yesterday. The VIX sits at \$17.84 as we write. The Fed's QE tapering remains to be the largest concern for risk assets at present, while investors also have one eye on other issues such as delta variant trends, geopolitical risks, and a general slowing of economic momentum.

Currencies: EUR/USD and GBP/USD are steady on Friday morning at 1.1755 and 1.367. With regard to all Dollar pairs, traders' attention will be on Powell this afternoon, with the potential for a rally in the greenback should a timeline for Fed tapering be announced. FX markets should remain range-bound and fairly quiet ahead of the speech at 3pm.

Safe-havens: Gold markets have climbed slightly this week, the metal trading just below the \$1,800 round figure today. We have seen a sell-off in sovereign bonds in recent days, as questions begin to arise over a tapering of the Fed's QE programme, causing yields to push higher. The benchmark US 10yr yields 1.34% today, reaching 1.37% briefly yesterday for the first time in 2 weeks. Looking at Europe, the German 10yr yield sits at a yield of -0.413%, the bond itself at its lowest levels since late July.

Looking ahead: Today at 1:30pm Irish time we will see the release of the US Core PCE inflation index, this is expected to come in at a m/m reading of 0.3% vs the previous 0.4%. Then at 3pm Irish time Jerome Powell will dial into the Jackson Hole Symposium virtually and give his much-anticipated speech, which may include details on the Fed's plans to pull back their heavy bond-buying.

Key Events to Watch

27/08/2021 - US Core PCE Inflation
27/08/2021 - Fed Chair Powell speaks
31/08/2021 - Chinese Manufacturing PMI
01/09/2021 - US Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,469	-0.58%	19.00%
DAX	15,793	-0.42%	14.98%
EuroStoxx	4,169	-0.27%	17.30%
ISEQ	8,850	0.41%	19.60%
FTSE	7,124	-0.35%	10.23%
Nikkei 225	27,641	-0.36%	0.72%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1750	-0.17%	-3.65%
EUR/GBP	0.8575	0.27%	-3.88%
GBP/USD	1.3699	-0.44%	0.26%
USD/CHF	0.9176	0.44%	3.50%
USD/JPY	110.07	0.07%	6.55%
EUR/JPY	129.33	-0.09%	2.65%

Fixed Income	Value	Daily Change
US 10yr	1.354	0.005
US 2yr	0.242	0.002
Bund 10yr	-0.411	0.009
Irish 10yr	0.008	0.013
Gilt 10yr	0.594	-0.005
JGB 10yr	0.023	0.003

Financial News Round Up

Yew Grove REIT

Irish real estate investment trust Yew Grove released its first-half results this morning, having more than trebled its profits when compared to the same period in 2020. Profits came in at a robust €4.7 million, up from the previous €1.3m, including unrealised gains on investment properties of €2.1m as against €1.8m last year. Net rental income was €5.7m, as contracted rent roll rose by €1.9m.

"The strong rental collections of 2020 continued throughout the period", the company said in its statement, "A comparison of contracted rent roll for properties owned on December 31st with June 30th shows an increase of 17.5%". In addition, Yew Grove saw the value of their revenue generating assets rise from €141.9m to €165.8m. The group's net assets were up €14.1m (+12.7%) over the six-month period.

Yew Grove has a forward-looking P/E multiple of 16.7x and a TTM P/E of 16.9x versus its industry 16.0x. The group pays out a strong dividend (yielding 4.8% at current prices), covered by its 76% payout ratio (87% forecasted future payout ratio over next 3yrs).

British Airways

The IAG-owned British Airways (BA) has announced plans to launch a new subsidiary to operate its short-haul journeys out of London's Gatwick airport.

In an internal letter to staff, the airline said "This was previously a highly competitive market, but for us to run a sustainable airline in the current environment, we need a competitive operating model...Because of that, we are proposing a new operating subsidiary to run alongside our existing long-haul Gatwick operation, to serve short-haul routes to/from Gatwick from summer 2022...This will help us to be both agile and competitive, allowing us to build a sustainable short-haul presence at Gatwick over time".

In July, BA estimated that summer capacity would increase to 45% of its pre-Covid levels, vs Air France-KLM, Ryanair, and EasyJet's forecasts' for between 60% and 70%.

Mortgages in Ireland

According to the Banking & Payments Federation Ireland (BPFI), over 53,500 mortgages (total value €13.2b) were approved in the country in the year ending July 31st. This equates to a 3% rise in approval volumes, a 3.7% increase in the values, and is the highest level of annual approval volumes and values since the data series began about 10 years ago.

"The value of approvals more than doubled since the 12 months ending October 2016, driven by growth in lending to first-time buyers and re-mortgages or switching" said BPFI CEO Brian Hayes, "These are significant figures and very much signal a robust pipeline for drawdown activity later in the year".

Looking at July, roughly 5,000 mortgages were approved in the month alone, 3.3% lower than June, but 48% higher than July 2020. Values were €1.28b for the month, 0.6% higher than June and up 58% y/y.