

Daily Update

Your daily market news, moves
and outlook



Wednesday, 13th of October

Markets Outlook

Equities: The main indices in Europe are roughly 0.60% stronger this morning, as equities look to bounce after September's sell-off. Markets continue to focus on inflationary pressures and supply chain issues ahead of this afternoon's US inflation release. US futures lagging Europe on Wednesday, as the VIX has moved slightly lower to \$19.20, and after a negative session across each US index yesterday which spilled over to Asia overnight.

Currencies: The Dollar index (DXY) is about a quarter of a percent lower on Wednesday to 94.29 as markets regain some appetite for risk this morning, and after having traded through one-year highs again yesterday. Dollar traders will all be awaiting this afternoon's inflation release, along with any potential surprises from the Fed minutes tonight.

Safe-havens: Gold moved higher yesterday and into this morning, the metal now sitting at \$1,768 while silver has moved higher to \$22.82. Today's data could have a significant impact on metals prices, given the fact that it will likely be influencing the November Fed meeting. Looking at bonds, Tuesday was a mixed session, with Germany's Bund seeing new lows driving its yield up to -0.08%, while Treasuries in the States bounced somewhat. Both regions are seeing yields move slightly lower today, the benchmark US 10yr at 1.56%.

Looking ahead: This afternoon will be busier for data points, the US CPI inflation reading is due at 13:30 Dublin time, followed by the release of the Fed's September meeting minutes this evening. BlackRock, JP Morgan Chase, and Delta Airlines will each report Q3 earnings results before market open at 14:40 in New York today. We see it as likely that supply disruptions (especially from China) and the impacts of price pressures on margins will feature heavily as key themes in this upcoming earnings season.

Key Events to Watch

13/10/2021 - US CPI Inflation
13/10/2021 - Fed Meeting Minutes
15/10/2021 - US Retail Sales
18/10/2021 - Chinese GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,350	-0.24%	15.83%
DAX	15,146	-0.34%	10.56%
EuroStoxx	4,055	-0.43%	14.22%
ISEQ	8,344	-0.35%	13.53%
FTSE	7,130	-0.23%	9.84%
Nikkei 225	28,140	-0.32%	2.54%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1527	-0.21%	-5.41%
EUR/GBP	0.8481	-0.16%	-5.04%
GBP/USD	1.3585	-0.07%	-0.36%
USD/CHF	0.9306	0.33%	4.97%
USD/JPY	113.60	0.26%	10.02%
EUR/JPY	130.95	0.06%	4.06%

Fixed Income	Value	Daily Change
US 10yr	1.572	-0.056
US 2yr	0.341	-0.012
German 10yr	-0.094	0.024
Irish 10yr	0.288	0.027
UK 10yr	1.140	-0.050
Japanese 10yr	0.082	-0.008

Financial News Round Up

UK Economy

This morning before market open in London we got the release of a range of data points in relation to the state of the United Kingdom's economy. The region's m/m GDP reading came in at 0.4% versus expectations for 0.5% and the previous -0.1%. We note that GDP is a lagging indicator, this particular result giving us data from the month of August. However, this result does mean that GDP in the UK is now just 0.8% lower than in February 2020, according to the Office for National Statistics (ONS).

The region also saw its m/m industrial production (for August) increase by 0.8%, versus expectations for 0.2%. Manufacturing production came in 0.5% stronger, vs forecasts for 0%.

The BOE will be the first of the major central banks to begin their rate hiking cycle, with markets now pricing in an increase from the current 0.10% to 0.25% by December. The FTSE 100 equity index is about 0.15% lower following this morning's data, versus Europe's +0.60%. The IMF stated this week that they expect the UK to witness the fastest expansion of any G7 nation this year, with a forecast for 6.8% growth.

SAP

German multinational software corporation SAP have released a strong trading update on Wednesday morning, during which it raised its full-year outlook for a third time as Q3 results came in stronger than previously anticipated. Q3 saw adjusted revenue rise by 5% to €6.68b, with the firm's full results due in just over a week. Adjusted EPS was 2% higher to €1.74.

"We see record adoption of our applications and our platform" said CEO Christian Klein in a statement, "This has resulted in strong acceleration of our cloud growth". The firm increased its forecast for cloud and software revenue for its full year to €23.9 - €24.2 billion, between 16 and 19% y/y growth, and €200m higher than its prior estimates.

SAP remains in our European High Dividend Portfolio, albeit with a smaller holding than others in the tech space. While it hasn't got the largest dividend yield in the portfolio by any means (c.1.6%), SAP have consistently raised their dividend per share over the last decade, including during the pandemic. Even in the unlikely event of a significant downturn in sales, we see SAP maintaining or even continuing to grow its dividend, with a healthy pay-out ratio of 37% at present, and room for some growth.

Chinese Trade

Chinese trade balance results for September came in overnight at +433 billion Yuan (\$66.8b) versus forecasts for +285b Yuan (\$46.5b), as the region continued to see stronger exports over the month, driven by still-solid global demand for its goods. Exports surged by over 28% last month for China, and up from August's 25.6% gain. Imports were 17.6% higher, below analysts' expectations for 20% and a 33.1% growth the month prior.