

Daily Update

Your daily market news, moves
and outlook



Wednesday, 20th of October

Markets Outlook

Equities: European and British indices are mixed but seeing fairly quiet trade this morning, in what has been a busy morning for earnings results, and after what was also a mixed session across Asia overnight. London's FTSE 100 index trades about 0.20% lower today after the region's slight miss of inflation expectations earlier. The CBOE VIX index has moved somewhat lower in recent days, now at \$15.75.

Currencies: USD is flat to marginally stronger on Wednesday morning, having moved lower over the previous two sessions vs most major currencies on signs of weakening economic activity in the States. So-called commodity-currencies such as the Aussie Dollar and Canadian Dollar have made gains against the Dollar in recent weeks as energy and raw material prices rally. Sterling is 0.10% stronger vs USD and Euro after the UK's inflation release earlier, GBP/USD at 1.3785 and EUR/GBP at 0.844.

Safe-havens: Gold has moved higher over the past couple of weeks, albeit in a choppy manner, the precious metal now trading at \$1,800 once again. Bonds are mixed today, we note that the benchmark US 10yr Treasury saw a five-month low earlier this morning which brought its yield as high as 1.67%. Germany's 10yr is currently yielding -0.117%.

Looking ahead: Canada will report September's CPI inflation data this afternoon, following the same from the UK earlier. Tomorrow will be quieter in terms of data, the highlight of the week will come on Friday in the form of Services and Manufacturing PMI results from the Eurozone and US. Looking at earnings: later today we will hear from Abbott Laboratories, Nasdaq Inc, Verizon, IBM, Tesla, and many smaller names. On Thursday, we will hear from Volvo, Barclays, Dow Inc, AT&T, American Airlines, Southwest Airlines, Intel, and SAP.

Key Events to Watch

20/10/2021 - Canadian CPI
22/10/2021 - European PMIs
22/10/2021 - US PMIs
28/10/2021 - ECB Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,519	0.74%	20.33%
DAX	15,515	0.27%	13.28%
EuroStoxx	4,166	0.37%	17.22%
ISEQ	8,444	-0.04%	14.44%
FTSE	7,217	0.19%	11.63%
Nikkei 225	29,215	0.65%	6.60%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1632	0.20%	-4.86%
EUR/GBP	0.8430	-0.31%	-5.55%
GBP/USD	1.3795	0.51%	0.76%
USD/CHF	0.9228	-0.10%	4.53%
USD/JPY	114.36	0.04%	10.84%
EUR/JPY	133.02	0.24%	5.43%

Fixed Income	Value	Daily Change
US 10yr	1.641	0.050
US 2yr	0.399	-0.022
German 10yr	-0.108	0.040
Irish 10yr	0.273	0.023
UK 10yr	1.161	0.025
Japanese 10yr	0.092	0.001

Financial News Round Up

UK Inflation

Before market open this morning we saw the UK CPI (Consumer Price Index, an important reading for inflation) come in at 3.1% y/y for the month of September, just shy of forecasts for 3.2% and vs the previous month's 3.2%. The 'Core CPI' figure, which excludes volatile items such as energy and food, was 2.9% for the month vs expectations for 3.0% and the prior 3.1%.

Last month we saw hospitality being the largest drag on inflation, after the nation's 'Eat Out to Help Out' restaurant subsidy scheme launched in August 2020 and now of course dropping out of the annual comparisons. However, prices for most other consumer goods and services continued to increase, prices of goods produced by factories rising as energy and machinery prices surge.

We do not think this very slight slowing of inflation in the UK will be enough to deter the Bank of England from hiking their interest rate when they meet on November 4th. The most recent inflation forecast from the BOE was for it to rise slightly above 4% during Q4, with energy prices having rallied since that point.

ASML

Dutch multinational corporation and key supplier to computer chip makers ASML this morning reported a 64% increase in its Q3 net profit. This comes in well ahead of analysts' forecasts, with the firm stating that demand continues to be robust. Net profits came in at €1.74b vs the €1.63b expectation and €1.06b one year ago. Net sales for the quarter were €5.24b vs the previous €3.96b and ASML's own guidance for between €5.2b - €5.4b. Gross margin for the three months was 51.7% vs the prior 47.5%. ASML estimates that it will see net sales of between €4.9b and €5.2b during Q4, with a gross margin of between 51% and 52%.

ASML shares, which remain in our European High Dividend Portfolio, albeit with a small holding, remain to be over 68% higher YTD despite this morning's 1.7% move lower and September's circa 19% pullback. The stock yields a dividend of 0.4% at current levels. With impressive earnings growth as demand surges on the back of supply-chain shortages, we see room for the company to boost its pay-out ratio (currently 13%) back to its previous area of about 25% if not higher, in the future.

Netflix

US streaming service Netflix reported its third-quarter earnings results after the closing bell last night, showing a pick-up in subscriber growth after an underwhelming H1. Revenues came in at \$7.48 billion in line with expectations and up from the \$6.44b this time last year. EPS was \$3.19 vs the \$2.56 expected and the previous \$1.74, while the platform saw net subscriber additions of 4.38 million vs 3.72m forecast and the previous 2.2m.

Netflix, who benefited massively from the release of "Squid Game" (what it is now calling its most popular show ever) last month, have seen shares move 2.4% lower in pre-market trade to \$623.50. The stock has already seen gains of 22% over the past two months and +18% so far this year.