

Daily Update

Your daily market news, moves
and outlook



Wednesday, 27th of October

Markets Outlook

Equities: The main equity indices on the continent are slightly lower on Wednesday morning, albeit still higher on the week so far after the positive start. In the US, we saw yet another all-time high from the benchmark S&P 500 yesterday at \$4,598, a move which has kept the CBOE VIX volatility gauge subdued, currently sitting near its post-pandemic lows around \$15.80. Focus this week and next remains on central banks, the ongoing Q3 earnings season, and important data points due on both sides of the Atlantic tomorrow and Friday.

Currencies: FX markets were fairly subdued on Tuesday, with USD showing some slight strength. Dollar traders will begin to look towards tomorrow's US GDP release and then to Friday's inflation result. The Euro may see some elevated volatility tomorrow after the ECB release, while GBP traders will today be focusing on the release of the region's annual budget. EUR/USD is at 1.159 on Tuesday morning, GBP/USD lower to 1.373, EUR/GBP higher at 0.845.

Safe-havens: The US 2-year Treasury bond is trading through 19-month lows today, bringing its yield up to 0.509% as investors price in the fact that the Fed may have to hike rates sooner than was expected. A move like this would likely have to come from the US central bank should high inflation prove persistent over the coming months. Interestingly, 10yr yields both in the Eurozone and US are continuing their pullback this morning, the US bond back below 1.6% and in negative territory in real terms.

Looking ahead: Today we will see the UK's annual budget being released, we are also due to see the Bank of Canada's latest rate statement and monetary policy report. This will then be followed by the same from the Bank of Japan tonight and then the ECB tomorrow just after midday. This morning has seen a busy schedule for European earnings with releases from BASF, Puma, Heineken, Deutsche Bank, Santander, and Sodexo. Later today we will hear from Boeing, General Motors, Ford, eBay, McDonald's, Coca-Cola, and many more names in the United States.

Key Events to Watch

28/10/2021 - ECB Rate Decision

28/10/2021 - US GDP

29/10/2021 - Eurozone GDPs

29/10/2021 - US Core PCE

Market Moves

| Equity Indices | Value | Daily Change | YTD Change |
|----------------|--------|--------------|------------|
| S&P 500 | 4,574 | 0.18% | 21.80% |
| DAX | 15,757 | 1.01% | 14.60% |
| EuroStoxx | 4,223 | 0.85% | 18.85% |
| ISEQ | 8,571 | 0.89% | 16.15% |
| FTSE | 7,277 | 0.76% | 12.60% |
| Nikkei 225 | 29,098 | -0.03% | 6.03% |

| FX | Value | Daily Change | YTD Change |
|---------|--------|--------------|------------|
| EUR/USD | 1.1595 | -0.09% | -4.95% |
| EUR/GBP | 0.8419 | -0.11% | -5.60% |
| GBP/USD | 1.3766 | -0.01% | 0.72% |
| USD/CHF | 0.9201 | 0.03% | 3.72% |
| USD/JPY | 114.14 | 0.39% | 10.32% |
| EUR/JPY | 132.32 | 0.27% | 4.85% |

| Fixed Income | Value | Daily Change |
|---------------|--------|--------------|
| US 10yr | 1.610 | -0.023 |
| US 2yr | 0.447 | 0.012 |
| German 10yr | -0.129 | -0.011 |
| Irish 10yr | 0.267 | 0.001 |
| UK 10yr | 1.113 | -0.028 |
| Japanese 10yr | 0.099 | -0.002 |

Financial News Round Up

Microsoft

US tech giant Microsoft last night announced its fiscal Q1 2022 earnings results, exceeding forecasts on the top and bottom line. Earnings per share came in at \$2.71 (net income of \$20.51b) vs analysts' expectations for \$2.07, while revenues were 22% higher (its best growth since 2014) at \$45.3b vs \$43.93b estimates. This was driven in part by its cloud division, which saw strong gains of 36% versus this time last year.

The shares are due to open about 2.3% higher later in New York at what will be an all-time high of \$317.41, after already seeing gains of 39.4% so far this year. Microsoft, who remain to be our preferred stock within the large-cap US tech space, have a forward-looking P/E of 35.1x versus the FAANG average of 39x. In addition, the company has continuously increased its dividend per share over the past decade, and has a dividend yield of 0.8% at present (higher than any FAANG names). In terms of TTM P/E, the firm trades on about 38 times versus the US software industry's lofty 56.8x.

We believe Microsoft have a robust management team in place around the world, evidenced by the fact that over the past five years the tech firm has grown its earnings at an average rate of 26.3% versus its industry 22.2%, and by an impressive 38.4% over the past year versus the industry 24.1%.

Mortgages in Ireland

According to the latest Banking and Payments Federation Ireland (BPFI) release, the country saw the volume of mortgages drawn down during Q3 surge by a whopping 40.9% vs the same period in 2020, and broadly in line with our expectations.

11,479 new mortgages were drawn down over the July to September period, totaling €2.78 billion (42.3% y/y increase), with first-time buyers making up over 52% of both the volume and value. New properties accounted for 26.6% of mortgages in the quarter just gone, down from Q3 2020's 37.6%.

Looking at September's stand-alone figures, 4,769 mortgages were approved (4.3% rise m/m, 3.2% y/y) to the tune of €1.205b. First-timers made up over 55% of these approvals, with mover purchasers at almost 28%. For more information about mortgages at Seaspray, please contact info@seasprayfs.ie

Kerry Group

Food tech and ingredients firm Kerry Group reported another solid update this morning with growth and forward guidance broadly in line with our estimates. The company's 'Taste & Nutrition' division saw an 8.7% rise in business volume growth while its 'Consumer Foods' division grew by 5.6%. Group revenue was a robust 6.3% higher over the nine-month period to the end of September.

"Our markets remain highly dynamic, as customer seek to address heightened consumer demands while balancing labour and supply chain challenges, leading to increased innovation opportunities within our industry."