

Daily Update

Your daily market news, moves
and outlook



Thursday, 28th of October

Markets Outlook

Equities: The main indices on the continent are flat to slightly lower after a broadly negative session yesterday for risk assets, albeit with most markets not losing too much ground and still remaining in positive territory on the week so far. Volatility has remained relatively subdued despite a busy week for earnings, European traders likely awaiting further clarity from the ECB this afternoon before committing too much capital. We do note that supply chain disruptions continue to dominate this earnings season, Volkswagen this morning becoming the latest carmaker to register lower than expected profits because of chip shortages. VIX at \$16.86 at time of writing, slightly higher on the week.

Currencies: FX volatility is low on Thursday morning, ahead of the ECB later today and some important economic data due between today and tomorrow. The Yen has seen slight strength overnight, after the BOJ left its key policy settings unchanged overnight as expected, but did downgrade its GDP and inflation forecasts - USD/JPY at 113.6.

Safe-havens: Longer-dated bond yields continued to fall yesterday while shorter-term rose, i.e. a flattening yield curve. This trend has been accelerated by central banks looking to remove their highly-accommodative policies, and who may begin to hike rates sooner than bond markets had previously priced in. US 2yr is higher on Thursday, now yielding 0.55% for the first time since March 2020, while its 10yr equivalent has pulled back this week to 1.55% and from a previous high of 1.7%.

Looking ahead: This afternoon could see some heightened volatility across Europe and North America, at 12:45pm we are due to hear from the ECB in what will be their second last monetary policy meeting of 2021. Then at 13:30 the ECB President Christine Lagarde will give her post-release press conference, and at the same time we will see the US report its first GDP result for Q3, expected at 2.6% q/q. After a very busy morning for European earnings releases, we are due to hear from Apple, Amazon, Starbucks, MasterCard later and followed on Friday by BNP Paribas, Daimler, Colgate-Palmolive, AbbVie, Chevron, and ExxonMobil.

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	4,551	-0.51%	21.18%
DAX	15,705	-0.33%	14.28%
EuroStoxx	4,220	-0.07%	19.01%
ISEQ	8,486	-0.99%	14.38%
FTSE	7,253	-0.33%	11.87%
Nikkei 225	28,820	-0.96%	5.01%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1604	0.08%	-4.92%
EUR/GBP	0.8439	0.24%	-5.58%
GBP/USD	1.3746	-0.15%	0.72%
USD/CHF	0.9180	-0.23%	3.59%
USD/JPY	113.81	-0.29%	10.05%
EUR/JPY	132.07	-0.19%	4.64%

Fixed Income	Value	Daily Change
US 10yr	1.550	-0.060
US 2yr	0.503	0.055
German 10yr	-0.187	-0.058
Irish 10yr	0.206	-0.011
UK 10yr	0.984	-0.025
Japanese 10yr	0.087	0.005

Financial News Round Up

C&C Group

Alcoholic drinks manufacturer, marketer, and distributor C&C Group has this morning reported its return to post-pandemic profit, while its half-year net revenues came in 65% higher as Ireland and the UK's hospitality sectors reopened over the summer.

Group operating profit came in at €16m for the six-month period to the end of August, versus a loss of €13.2m during the same time one year ago. Net revenues for C&C in Ireland rose by over 25% to €115.1m, up from €91m, and operating profits climbed a whopping 900% from €0.8m to €8.3m. Net revenue in the UK increased by 35.3%, from €108.1m to €146.3m over the six months, while operating profits were 66% stronger to €10.8m.

"We are encouraged by how quickly the on-trade recovered and we are pleased to report that trading in the first half has been ahead of plan and our inherent cash generating strengths are reflected in the return of the business to cash generation from June 2021" said CEO John Forde in his statement.

The shares have benefited from this latest release, trading over 5% higher so far on the session to £2.624, and now up 23.3% YTD. C&C, who are only now returning to profit, trade on a forward P/E of 54 times, and have not paid out a dividend to investors since the beginning of the pandemic. This compares to our preferred stock in the alcoholic drinks space, Diageo, who trades on a much more reasonable 27.4x forward-looking P/E, and a TTM P/E of 31.5x in line with the UK industry average. Diageo, whose shares have risen almost 27% YTD, remained profitable even throughout the pandemic and even continued to increase their dividend payout per share (current dividend yield of 2.0%).

Airbus

The world's largest aircraft manufacturer reported a 19% fall in its Q3 operating profit to €666m, as revenues decreased by 6% to €10.518b. Analysts had been expecting an operating profit of about €623m, on revenues of €10.65b. The company has upgraded its full-year targets, and is now looking for a FY operating profit of €4.5b and free cashflow of €2.5b, up from the previous expectations of €4b and €2b respectively.

The group, who maintained its forecast to deliver 600 jets this year, has seen its shares climb 0.60% on Thursday following this release (+23.3% YTD versus Boeing's -3.5%).

Permanent TSB

PTSB has this morning released its trading update for the three month period to the end of September, stating that it has now seen new lending of €1.4 billion so far in 2021, 50% higher than during the same period last year. The bank has increased its share of the Irish mortgage market from 14.9% this time last year, to the current 17.5%. SME lending also continued to rise significantly, by 43% y/y to €58m.

Permanent's customer deposits are 5% higher this year so far, at €18.9b, while its non-performing loan ratio fell to 6.9%.

"In addition to the Ulster Bank assets we are proposing to acquire, we are also ready to welcome Ulster Bank current account and deposit customers who will need a new bank" the CEO, Eamonn Crowley, said.