

Daily Update

Your daily market news, moves
and outlook



Friday, 12th of November

Markets Outlook

Equities: The main European indices are slightly higher on Friday morning, having traded in quite tight ranges over the last week. In the States, equities have painted a different picture, pulling back mid-week after the stronger than anticipated inflation result for the region. It must be noted that these pullbacks come after five straight weeks of strong gains for risk assets. The third-quarter earnings season has been a strong one, with 81% of reported S&P 500 names having seen a positive EPS surprise. This has underpinned equities, the VIX only reaching a high of \$19.90 this week after the inflation release. The volatility gauge has fallen back to \$17.60 this morning.

Currencies: The US Dollar has caught a bid this week, benefiting hugely from the strong inflationary pressures in the States. Higher than expected inflation, and for longer, may force the Fed to tighten faster than it currently plans to. This in turn would cause US Treasury yields to increase and could draw new money into the world's reserve currency. EUR/USD traded through its lowest levels since July 2020 this morning at 1.144.

Safe-havens: US Treasuries took a sharp step higher this week, as traders digested higher for longer inflation. The benchmark 10yr sits at 1.58% on Friday, while the region's 2yr yields 0.54% and is approaching its highest yield since early 2020. Clearly, these bonds are still well in negative territory with regard to real yields, their attractiveness as a portfolio ballast having diminished even further lately.

Looking ahead: US Consumer Sentiment is due this afternoon, but should not have a huge effect on markets. We will also get the latest bi-annual US Treasury Currency Report. Next week will be relatively quiet in terms of economic data points, we will hear from some Fed officials throughout the week however. Releases to note would be the US Retail Sales on Tuesday and UK CPI inflation on Wednesday. Next week we will see earnings season winding down, with releases from Nvidia, Alibaba, Walmart, Cisco, Home Depot, and some smaller names.

Key Events to Watch

12/11/2021 - US Consumer Sentiment

14/11/2021 - Japanese GDP

15/11/2021 - Chinese Retail Sales

16/11/2021 - US Retail Sales

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,649	0.06%	23.78%
DAX	16,083	0.10%	17.37%
EuroStoxx	4,358	0.21%	22.83%
ISEQ	8,509	0.00%	15.36%
FTSE	7,384	0.60%	14.05%
Nikkei 225	29,609	1.13%	7.89%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1450	-0.24%	-6.26%
EUR/GBP	0.8561	0.00%	-4.19%
GBP/USD	1.3371	-0.22%	-2.14%
USD/CHF	0.9207	0.35%	4.18%
USD/JPY	114.05	0.13%	10.48%
EUR/JPY	130.59	-0.11%	3.54%

Fixed Income	Value	Daily Change
US 10yr	1.578	0.008
US 2yr	0.541	0.022
German 10yr	-0.227	0.021
Irish 10yr	0.213	0.014
UK 10yr	0.916	-0.010
Japanese 10yr	0.072	0.000

Financial News Round Up

AstraZeneca

British-Swedish multinational pharmaceutical and biotechnology firm, and creator of one of the world's successful Covid-19 vaccines, AstraZeneca has this morning reported its third-quarter results. The pharma company disclosed that its Covid vaccine did give a small boost to earnings during the quarter (\$1.05b vaccine revenues), and will likely move towards what it describes as "modest profitability" on new orders going forward.

Overall revenues climbed by a robust 47% to \$9.74b on a constant-currency basis, core EPS coming in at \$1.08. Analysts had been forecasting \$1.28 per share on revenues of \$9.4b, which may point to why the stock is trading about 4% lower on Friday morning to £90.68 in London. The shares have had a somewhat rocky 18 months, selling off in the latter half of 2020 as questions arose over the Covid-19 vaccine efficacy, along with poor management and PR with regard to its announcements and release. AstraZeneca is however trading almost 24% higher so far this year, even after this morning's shock.

The company opted not to change its earnings guidance for the full year, still estimating that core earnings per share will come in between \$5.05 - \$5.40. Total revenue is forecast to grow by a mid-to-high twenties percentage, and low twenties if you exclude the Covid-19 vaccine.

KBC Group

Belgian universal multi-channel bank-insurer KBC Group has reported profits of €601m for Q3, despite also seeing a €319m negative one-off impact relating to its pending sale deals in Ireland as the bank prepares to leave our market. This charge includes €81m in staff restructuring fees, €170m in loan impairment charges, and €53m in accumulated tax benefits - from losses racked up during the financial crisis, to be written off.

The bank's tier 1 capital ratio, a key measure of financial strength in the sector, stood at 16.4% at the end of the quarter, ahead of its own medium-term target of 14.5%, excluding a 1% buffer it plans to hold for potential acquisitions or unexpected shocks.

Irish Inflation

Figures from the Central Statistics Office (CSO) yesterday revealed that consumer inflation in Ireland was 5.1% higher during October than one year prior - this the nation's largest y/y change since April 2007. Breaking the figure down, petrol prices increased by a significant 22% vs October 2020, with diesel up 25% and home heating oil 71% higher. Gas prices increased by 23% and electricity by 15.5%.

Rents, according to the CSO, jumped by 7.5%. The only major category to decline last month was clothing and footwear. The Department of Finance last month stated that it believes inflation will peak at an average of 4.5% during Q4 before falling back below the ECB's 2% target next year. It did also point to the fact that the rate could remain closer to 3.5% next year if energy prices continue to rally, along with ongoing global supply-chain disruptions.