

Daily Update

Your daily market news, moves
and outlook



Thursday, 18th of November

Markets Outlook

Equities: Volatility remains subdued and stock markets continue to grind higher in Europe this week, the EuroStoxx50 and 600 indices are between 0.10% and 0.20% stronger on Thursday morning. There have not been any new big catalysts or worries for European equities lately, most indices on the continent are in their seventh consecutive week of gains. This compares to the US, where inflation continues to exceed expectations, the S&P500 has pulled back over the last couple of weeks, moving almost 2% lower last week and still slightly below its all-time high from the start of the month. The VIX sits at \$16.75 on Thursday morning.

Currencies: The Dollar has paused over the past couple of trading sessions, the Dollar index (measures USD against a basket of six major currencies) having earlier this week traded through its highest prices since July 2020 at 96.26. Markets have spent the last number of weeks positioning for a divergence between the Fed and ECB, Christine Lagarde again this week made it clear to investors that early interest rate hikes are not on her agenda. EUR/USD at 1.133 this morning.

Safe-havens: Government bond yields mostly shifted lower yesterday, in what was a quiet enough day for markets in general. In the States, Treasury yields are higher over recent weeks on the back of strong inflation results in the region - US 10yr currently yielding 1.58%, 2yr equivalent at 0.50%. Real yields still remain well in negative territory.

Looking ahead: This morning has no major economic data releases, later today we will see the weekly US Unemployment Claims, followed on Friday morning by the UK's monthly Retail Sales figure. Tomorrow we will also see ECB President Lagarde speaking at two separate events, and we will also get a couple of Fed officials speaking throughout the afternoon. The beginning of next week will be busier, with November PMI releases, US GDP, US Core PCE inflation figures, and the release of the latest Fed meeting minutes.

Key Events to Watch

19/11/2021 - UK Retail Sales

19/11/2021 - ECB President Lagarde speaks

23/11/2021 - European & US PMIs

24/11/2021 - US GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,688	-0.26%	24.83%
DAX	16,251	0.02%	18.46%
EuroStoxx	4,400	-0.02%	23.86%
ISEQ	8,319	-0.97%	12.78%
FTSE	7,291	-0.49%	12.86%
Nikkei 225	29,598	-0.30%	7.85%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1319	0.00%	-7.27%
EUR/GBP	0.8394	-0.40%	-6.05%
GBP/USD	1.3480	0.39%	-1.26%
USD/CHF	0.9282	-0.17%	4.89%
USD/JPY	114.07	-0.65%	10.56%
EUR/JPY	129.12	-0.65%	2.51%

Fixed Income	Value	Daily Change
US 10yr	1.585	-0.055
US 2yr	0.498	-0.024
German 10yr	-0.250	-0.006
Irish 10yr	0.231	0.033
UK 10yr	0.972	-0.021
Japanese 10yr	0.079	0.007

Financial News Round Up

Nvidia

American tech giant Nvidia reported its third-quarter earnings after market close in the States last night, amid what has been a fairly challenging global chip shortage. Revenue came in 50% higher versus the same quarter last year, at \$7.1b and versus expectations for \$6.81b. The company, who design graphics processing units for the gaming and professional markets, saw an adjusted EPS for the three-month period of \$1.17, beating estimates for just \$1.11. Adjusted gross margin came in pretty much in line with forecasts, at 67%.

In terms of forward guidance, Nvidia see fourth quarter revenue at around \$7.4b, plus or minus 2% - this estimate coming in well ahead of what was expected for the firm, \$2.86b.

The stock has gained an astonishing 124% so far in 2021, closing 3% lower last night in New York at \$292.61. Despite yesterday's move lower, Nvidia is set to open almost 7% higher at the opening bell this afternoon on the back of last night's release, above \$312. Nvidia, which now trades on a forward-looking P/E of nearly 67 times, has a very lofty TTM P/E of 103x. The stock also trades on a price to book of 34.5x versus its industry average of 5.1x. Nvidia has a strong ROE of 33.5% (3yr forecast for 38%) versus its peer average of 16.6%, and is expected by analysts to grow its earnings by over 9% per annum over the next three years.

Hibernia REIT

Real estate investment trust Hibernia REIT has reported earnings results for the six months to the end of September, seeing net profits of €21.2m during this time and the value of its portfolio increasing by 0.4% to €1.45b.

While Hibernia has completed two new schemes over the past six months, it has also said it is in advanced talks about a substantial pre-let to KPMG of the Harcourt Square development. Encouragingly, Hibernia continued its industry-leading rent collection rates, 99% of rents due over the period were received or on agreed payment terms. Annual contracted rent came to €68.2m at the end of September.

"We are making good progress with our strategic priorities of asset clustering and ESG excellence, with the key achievements since March 2021 being the completion of the 2 Cumberland Place and 50 City Quay developments and the sale of Dockland Central" said Kevin Nowlan, CEO.

"Our business continues to perform well, with strong rent collection, a stable portfolio valuation and new lettings agreed supporting an interim dividend of two cents per share, the same as last year".

Hibernia REIT is our preferred name within the space, with its solid dividend yield of 4.2%, ahead of the industry average of 3.3% and supported by a healthy payout ratio of 58%. We upgrade our target price for the REIT to €1.42, this price last traded at the end of 2019 and if reached would equate to just over 10% in upside from last night's closing price. The stock has gained almost 12% YTD so far.