



Thursday, 23rd of July

Markets Outlook

Equities: Indices are in the green this morning, following a slight pullback in Europe on Wednesday, this is helped by a risk-on tone in FX markets along with stronger than expected earnings from Unilever and positive guidance from Daimler. The S&P VIX index is back down to \$24 on Thursday as markets remain fairly calm throughout what could turn out to be a decisive earnings season.

Currencies: The Euro is rallying strongly again this morning, currently in its fifth consecutive up-day and having gained over 1.5% so far this week. This is causing the US Dollar to push lower to its weakest levels since early March, when compared against a basket of other major currencies.

Looking Ahead: Another relatively quiet day on the data front: the weekly US Unemployment Claims figure at 13:30 should be the highlight of the day. Tomorrow we will get UK Retail Sales to kick off the morning, followed by a series of Services and Manufacturing PMI releases from Europe and the US. Later today we get earnings results from American Airlines Group and M&T Bank Corp, Friday will see releases from Amazon and Honeywell International.

Key Events to Watch

23/07/2020 - US Unemployment Claims
24/07/2020 - European PMIs
24/07/2020 - UK Retail Sales & PMIs
24/07/2020 - US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,276	0.57%	1.40%
DAX	13,104	-0.51%	-0.46%
EuroStoxx	3,370	-1.02%	-9.42%
ISEQ	6,265	-0.60%	-13.00%
FTSE	6,207	-1.00%	-17.29%
Nikkei 225	22,751	-0.58%	-3.83%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1570	0.37%	3.34%
EUR/GBP	0.9086	0.35%	7.76%
GBP/USD	1.2734	0.02%	-4.04%
USD/CHF	0.9297	-0.39%	-4.09%
USD/JPY	107.15	0.35%	-1.36%
EUR/JPY	123.97	0.70%	1.93%

Fixed Income	Value	Daily Change
US 10yr	0.600	-0.005
US 2yr	0.153	0.012
Bund 10yr	-0.493	-0.035
Irish 10yr	-0.079	-0.030
Gilt 10yr	0.116	-0.020
JGB 10yr	0.020	0.011

Financial News Round Up

Unilever

Underlying sales fell by 0.3% in Q2 according to Unilever's earnings release this morning, this is much more positive than analysts' consensus expectations for a 4.3% drop. This is the group's first quarterly decline in sales since 2004. Unilever said that North America stood out, with sales growth in the region of 7.3%. However, there are worries around emerging markets such as Brazil, India, and Russia, who currently have the second, third, and fourth most Covid cases on the planet. Emerging markets make up 60% of Unilever's annual sales.

"The performance during this really difficult period, probably the most testing that we've ever seen, in the second quarter has demonstrated the resilience of the business" said chief financial officer Graeme Pitkethly.

Unilever shares gapped higher this morning on the news, and are up over 8% on the day in London. The stock is currently trading at a P/E of 18.9 times while EV/EBITDA is 13.0 times. The group generates a dividend yield of 3.5%, reflecting its solid defensive nature during volatile times. We reiterate our 'buy' rating on Unilever.

Tesla

American electric vehicle maker Tesla last night posted a second quarter profit as cost cuts and strong deliveries helped offset Coronavirus-related factory shutdowns.

During the three-month period, the carmaker earned a net income of \$104m, equating to an EPS of \$0.50. Tesla, who have now posted a profit for four consecutive quarters, saw Q2 revenue fall to \$6.04b, down from \$6.35b just one year prior, albeit beating expectations for \$5.37b.

This fourth straight quarterly profit means that the stock can now be considered for inclusion in the S&P 500.

"Our operating profit improved in Q2 despite challenging circumstances" Tesla said in its earnings statement, "Positive impacts included lower operating costs due to a temporary reduction in employee compensation expense, a sequential increase in regulatory credit revenue and deferred revenue recognition of \$48m related to a Full Self Driving (FSD) feature release".

Tesla's shares have gained 522% over the past 12 months, and 280% YTD. Tesla will open at \$1,592 later today in New York trade.