



Tuesday, 28th of July

Markets Outlook

Equities: Indices are broadly flat in Europe this morning. In general, markets continue to see support as hopes for a vaccine increase week after week. Moderna and Pfizer/BioNTech are now beginning phase 2 trials of their respective vaccines. US equities were stronger yesterday as the VIX fell to an intra-day low of \$24.55 before rebounding slightly today.

Currencies: EUR/USD is pulling back marginally this morning, after 8 consecutive green trading sessions. During recent weeks, market participants have turned increasingly bearish on the world's reserve currency, reflecting both the weakening outlook for the US economy and the general recovery in global risk appetite.

Looking Ahead: On the economic data front Tuesday is set to be relatively quiet, with one US Consumer Confidence figure coming in the afternoon. Wednesday evening could see increased volatility as the Federal Reserve's 2-day meeting comes to a close with the release of their rate decision.

Today we see earnings results from Pfizer, 3M, McDonald's, Visa, and many more. Wednesday and Thursday will be very busy for earnings.

Key Events to Watch

29/07/2020 - Fed Rate Decision

30/07/2020 - German GDP

30/07/2020 - US GDP

31/07/2020 - Chinese Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,239	0.74%	0.27%
DAX	12,838	0.00%	-2.88%
EuroStoxx	3,302	-0.24%	-11.77%
ISEQ	6,155	-0.60%	-13.52%
FTSE	6,104	-0.31%	-18.82%
Nikkei 225	22,657	-0.26%	-4.22%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1752	0.87%	4.44%
EUR/GBP	0.9122	0.18%	7.81%
GBP/USD	1.2882	0.69%	-3.06%
USD/CHF	0.9199	-0.14%	-4.68%
USD/JPY	105.38	-0.58%	-2.79%
EUR/JPY	123.83	0.28%	1.53%

Fixed Income	Value	Daily Change
US 10yr	0.615	0.025
US 2yr	0.154	0.005
Bund 10yr	-0.486	-0.038
Irish 10yr	-0.100	-0.028
Gilt 10yr	0.109	-0.032
JGB 10yr	0.019	0.005

Financial News Round Up

ECB - Dividends Recommendation

The European Central Bank has recommended that all lenders in the region continue to freeze their dividend payouts until at least January 2021, while also insisting that any staff bonuses paid out during the pandemic should be "extremely moderate".

This move by the ECB is designed to help banks absorb losses and support lending during this crisis.

"The build-up of strong capital and liquidity buffers since the last financial crisis has enabled banks during the crisis to continue lending to households and businesses, and thereby to help stabilise the real economy," said Andrea Enria, chair of the ECB's supervisory board, "Therefore, it is all the more important to encourage banks to use their capital and liquidity buffers now to continue focusing on this overarching task: lending, whilst of course maintaining sound underwriting standards."

Similarly, the Bank of England has stated that it will carry out reviews during Q4 to determine when British lenders could resume paying dividends.

Greencore

Irish food group Greencore have reported a 34.1% drop in group revenue, down to £240.6m for their fiscal Q3 which ended June 30th. Food to go was the main driver of this fall, down 50.6% over the quarter, while other food categories actually grew slightly. Food to go came in at £123.8m, reflecting a fall in demand during April, May, June of 63%, 58%, and 41% respectively.

Over the last 12 months, Greencore has seen a group revenue of £953.3m, 10.6% lower than that of the prior year.

"We remain confident in the relevance and attractiveness of the food to go channels and categories that we serve. In addition, we are well positioned for new business opportunities and a return to growth as the pandemic subsides" said chief executive Patrick Coveney. All guidance from the group remains suspended, given the ongoing uncertainty.

The stock currently trades at a P/E of 15.5x and EV/EBITDA of 9.2x, and while we see valid arguments to buy at these levels, we are remaining cautious while the company continues to work its way out of the pandemic.

Irish Fiscal Stimulus

The Irish Government yesterday announced an additional €375m which will be provided to assist in the reopening of schools across the nation in September. This, coupled with last week's 'July Stimulus' package brings the Government's Covid-pandemic spending to €16.9b. Ireland's spending so far per capita comes in at €3,424 which compares with Germany's current €3,054. Italy sits at €1,736 while France is €2,015.