

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Markets should remain quiet this morning, ahead of tonight's release, EuroStoxx currently trading flat. The VIX has fallen this week to just above the \$25 mark. Shares in the US closed lower last night while Japan's benchmark Nikkei 225 registered a 1.15% loss overnight.

Currencies: FX markets took somewhat of a break on Tuesday as the USD's fall paused briefly, volatility may return this evening when we see the Fed's release. EUR/USD traders will be watching tomorrow's GDP results closely for clues on the longer-term direction of economies in Europe and the US.

Safe-havens: Gold, currently in its ninth green day in a row, has gained an impressive 7.9% over the last 2 weeks alone. The metal continues to rally as investors speculate over future fiscal easing and ongoing virus uncertainty.

Looking Ahead: The likely highlight of the week will come today at 19:00 Irish time when the Federal Reserve announce their latest rate decision and release their monetary policy statement. Tomorrow German and US GDP releases will be important and could be the cause of some volatility across markets. For earnings: Today we see results from Boeing, General Electric, Facebook, PayPal, GSK, and many more. Thursday will also 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	3,218	-0.65%	-0.38%
DAX	12,835	-0.03%	-3.16%
EuroStoxx	3,303	0.02%	-11.62%
ISEQ	6,225	1.14%	-13.61%
FTSE	6,129	0.40%	-18.59%
Nikkei 225	22,397	-1.15%	-5.32%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1716	-0.30%	4.83%
EUR/GBP	0.9060	-0.69%	7.33%
GBP/USD	1.2932	0.38%	-2.25%
USD/CHF	0.9179	-0.21%	-5.46%
USD/JPY	105.09	-0.27%	-3.44%
EUR/JPY	123.13	-0.57%	1.22%

Fixed Income	Value	Daily Change
US 10yr	0.579	-0.036
US 2yr	0.143	-0.009
Bund 10yr	-0.510	-0.034
Irish 10yr	-0.120	-0.018
Gilt 10yr	0.105	-0.003
JGB 10yr	0.013	-0.001

Financial News Round Up

Mortgages in Ireland

News broke last night that a Spanish banking giant will enter the Irish mortgage market, a move which will undoubtedly put pressure on Irish banks to cut their rates, closer to that of other EU nations respective banks. Leitrim-based consumer finance company Avantcard will be entering the market, which is owned by Spain's fifth largest bank Bankinter who already have a substantial mortgage business in both Spain and Portugal.

Avantcard, who are due to enter the market in the autumn, are expected to offer rates below 2%, which is not currently done by any lender in the Irish mortgages space. These mortgage products are due to be offered under a new trading name, Avant Money, to reflect "the company's ambition to provide a broader range of consumer finance products, starting with mortgages".

Trevor Grant, chairman of the Association of Irish Mortgage Advisors, stated "As new mortgage lenders such as Dilosk, Finance Ireland, ICS and now Avant Money, come to the Irish market, they have invariably chosen specialist mortgage intermediaries as their primary distribution channel".

He went on to add: "Currently 3 out of 10 consumers use the services of specialist mortgage intermediaries when applying for a mortgage, and we expect this to grow exponentially in the coming years. This is mainly due to the fact that these intermediaries can provide greater product choice across the board, as well as often being able to offer better rates that are exclusively available through this channel."

Smurfit Kappa

Smurfit Kappa has announced better than expected results for H1 2020 this morning, during which time the group's gross profits fell by 16% to €383m, down from €465m during the same period in 2019. Revenues were 9% lower, from €4.622b down to €4.203b (€4.07b expected) over the period.

The group has decided to pay its interim dividend this year of 80.9 cent per share, having previously announced that it would withdraw this payout back in April.

Smurfit Kappa generated free cash flow of €238m over the period, while net debt was €500m lower at the end of June to €3.26b. Net debt/EBITDA fell to 2.1x from 2.2x one year prior.

We are maintaining our 'buy' rating on this stock, which is currently trading at a P/E ratio of 13.1x and an EV/EBITDA of 7.2x, equating to a near 20% premium on 10 year averages for these two metrics.

The sector as a whole is now trading back above pre-pandemic sell-off levels, reflecting the relative strength of this sector in the current environment.

The stock is nearly 2% higher in Dublin on Wednesday morning following the release, still over 19% lower YTD.