

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Thursday, 20th of August

Markets Outlook

Equities: US indices moved lower before last night's closing bell as the Fed meeting minutes reported a forecast for a slower than expected rate of recovery in US GDP and unemployment for H2 of this year. The risk-off sentiment has followed through to the European session this morning with main indices down circa 1%.

Currencies: EUR/USD pulled back on Wednesday as traders likely exited positions ahead of the Fed's meeting minutes last night. The currency pair now trades roughly flat on the week so far. USD has traded slightly higher overnight and into this morning after the Fed took a more dovish tone last night.

Safe-havens: Yields have stabilised after their relatively sharp move higher last week, with the US 10yr back down to 0.65% and German Bunds approaching -0.5%. Gold remains volatile with another pullback over the past 48 hours, the metal has lost 3.75% of its value since Wednesday morning.

Looking ahead: This afternoon we see the weekly US Unemployment Claims figure, analysts expect less than 1m claims today after last week's 963k result. Tomorrow we see Services and Manufacturing PMI readings from Europe, the UK, and then the US during the afternoon. These PMIs will give us further clarity on the pace of each economy's rebound from the pandemic.

Key Events to Watch

21/08/2020 - European PMIs

21/08/2020 - US PMIs

25/08/2020 - BOE Report Hearings

27/08/2020 - US GDP Update

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,374	-0.44%	4.46%
DAX	12,977	0.74%	-3.16%
EuroStoxx	3,317	0.85%	-12.47%
ISEQ	6,379	0.46%	-12.25%
FTSE	6,111	0.58%	-19.70%
Nikkei 225	22,880	-1.00%	-3.28%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1836	-0.78%	5.85%
EUR/GBP	0.9034	0.27%	7.29%
GBP/USD	1.3098	-1.04%	-1.28%
USD/CHF	0.9150	1.25%	-5.79%
USD/JPY	106.10	0.65%	-2.43%
EUR/JPY	125.58	-0.13%	3.27%

Fixed Income	Value	Daily Change
US 10yr	0.685	0.021
US 2yr	0.145	0.004
Bund 10yr	-0.470	-0.001
Irish 10yr	-0.136	0.002
Gilt 10yr	0.230	0.013
JGB 10yr	0.027	-0.005

Financial News Round Up

Federal Reserve

Market participants watched last night's release of the Federal Reserve's minutes from their most recent meeting, which took place between July 28-29th.

Equity markets in the US were knocked somewhat after the release, as the central bank made it clear that it does not for the foreseeable future plan on using further unconventional measures to support the world's largest economy.

In our view, markets had been priced for some forward guidance from the bank on further easing and QE, so the lack of this was disappointing to some extent, for US stock markets in particular.

"With regard to the outlook for monetary policy beyond this meeting, a number of participants noted that providing greater clarity regarding the likely path of the target range for the federal funds rate would be appropriate at some point" according to minutes from the July meeting. "Members agreed that the ongoing public health crisis would weigh heavily on economic activity, employment and inflation in the near term and was posing considerable risks to the economic outlook over the medium term" The Fed's next meeting, which will be accompanied by a rate decision and new monetary policy statement, will take place on the 15th and 16th of September.

CRH

Building materials corporation CRH issued a stronger than anticipated set of H1 results this morning, reporting a 4.9% fall in group revenue to \$12.21b. EPS dropped over the period to 51.0 cent, well ahead of analysts' forecasts for just 1.70 cent. The group saw an 8.6% fall in EBITDA to \$1.59b

Reassuringly, CRH opted to maintain its interim dividend of \$0.22 per share.

"The outlook for the rest of the year and into 2021 remains uncertain and is dependent on an improving health situation across our markets" said CEO Albert Manifold.

In their release the firm pointed to the fact that construction in Ireland was heavily impacted by the Government's restrictions between March and May, with volumes in all products lower y/y. "Pricing remained resilient with improvements on prior year and, despite a significant pick up in demand in June, sales and operating profit for the first half of the year finished behind 2019".

CRH's shares are 1.8% lower in Dublin this morning following the release, down to €32.81. The stock is 8% lower since the start of 2020, having almost doubled in price during its rebound which began in late March.

Shares currently trade at a forward-looking P/E of 20.6x and an EV/EBITDA of 9.8x, reflecting a 0.4% discount over its European competitors but a significant 9% discount on those in the US. At Seaspray, we reiterate our 'buy' rating on CRH.