

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Thursday, 12th of November

Markets Outlook

Equities: The main indices are down just over half a percent on Thursday as concerns over the timeline of the widespread use of this new vaccine set in. Covid cases continue to rise in some European nations despite the renewed lockdown measures introduced over recent weeks. Futures in the States slightly lower this morning, VIX marginally higher to \$23.70.

Currencies: FX markets were quieter yesterday, as many Dollar traders were away from their desks for the Veterans Day bank holiday. USD is on the back foot this morning, causing EUR/USD to undo yesterday's losses, leaving the world's most traded pair at 1.1815. Sterling is weakening today on reports of a lack of progress in EU-UK trade talks this week. UK GDP results this morning saw a miss of 15.8% expectations, coming in at 15.5% q/q.

Safe-havens: Gold remains at the lower end of its range, trading at \$1,870 on Thursday, having seen sharp falls on Monday after the positive vaccine news release. Silver is following in a similar pattern. Bond yields have pulled back somewhat after seeing significant rises earlier in the week. US-German spreads up once more today.

Looking ahead: According to Anthony Fauci, data from Moderna's human-stage trials of its Covid-19 vaccine will be released within a few days. Today we will get earnings from Cisco and Walt Disney, followed by Engie tomorrow. In terms of data points: US CPI inflation figures will be released before the open on Wall Street this afternoon. This afternoon we will also see key central bank speakers from around the world as the ECB hosts its Forum for Central Banking, albeit a virtual event this year.

Key Events to Watch

12/11/2020 - US CPI
12/11/2020 - ECB Forum
17/11/2020 - US Retail Sales
18/11/2020 - UK CPI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,572	0.77%	10.58%
DAX	13,216	0.40%	-1.19%
EuroStoxx	3,467	0.72%	-8.15%
ISEQ	7,230	1.78%	-0.19%
FTSE	6,382	1.35%	-16.14%
Nikkei 225	25,520	0.68%	7.88%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1777	-0.31%	5.13%
EUR/GBP	0.8905	0.07%	5.75%
GBP/USD	1.3221	-0.38%	-0.53%
USD/CHF	0.9173	0.22%	-5.44%
USD/JPY	105.42	0.13%	-3.07%
EUR/JPY	124.15	-0.18%	1.90%

Fixed Income	Value	Daily Change
US 10yr	0.977	0.000
US 2yr	0.187	0.000
Bund 10yr	-0.512	-0.026
Irish 10yr	-0.166	-0.017
Gilt 10yr	0.414	0.014
JGB 10yr	0.032	-0.004

Financial News Round Up

Grafton Group

UK and Ireland-based builders merchants business Grafton Group have issued a strong third quarter trading update this morning, in which the group has pointed to its "exceptional growth" in the four month period up to the end of October.

Revenues for this period were well ahead of expectations, coming in at £1 billion, 5.1% higher than this time last year (£962m). Grafton has said it now anticipates somewhere between £130 - £140m in terms of adjusted operating profit for the second half of the year, this news has been received well by the market.

"This is approximately 24-33% higher than the second half of 2019 and is significantly ahead of guidance given in August that adjusted operating profit in the second half would be at a similar level to the same period in 2019" the company said.

Grafton Group did acknowledge that like-for-like revenue was 11.4% lower for the first 10 months of this year, due to difficult trading conditions during the Q2 lockdowns.

Chief Executive Gavin Slark stated that he was encouraged by the group's performance, all things this year considered: "Grafton is in a very strong financial position and has a diversified portfolio of market leading businesses with exposure to residential RMI leaving it well placed to benefit from current market trends."

The shares are over 5% higher on the back of the release, however still down 4% YTD. Grafton is today trading at a full-year 2020 P/E of 22 times, a roughly 20% premium to its 10-year average. That being said, we see room for some further growth in this name as we head into 2021 and likely some sort of normality once again, we reiterate our 'hold' rating on this name.

KBC Ireland

KBC Ireland has reported a net loss of €41m for the nine-month period to the end of September. This loss was partly driven by a €95m provision taken during the first half of the year for an expected jump in bad loan losses as a direct result of the economic shock.

However, on a more positive note, mortgage lending for the bank was an impressive 67% higher to €297m when compared to the previous quarter. This came as a "record number of applications" were seen during Q3 as the Irish economy continued to open up from the initial Covid-19 lockdown, indicating that there was indeed significant pent-up demand from this period.

KBC has fared better than other banks with regard to the mortgage space, with the bank seeing a 16% drop in mortgage completions for the first 9 months to €677m, compared to the 20% fall in the wider Irish market.

"Despite the difficult economic environment, KBC Bank Ireland has continued to deliver a strong performance, particularly around new mortgage lending which saw sustained growth across the quarter" said Chief Executive Peter Roebben.