

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: The main indices in Europe and the UK are flat to slightly lower this morning, as investors take some profit and begin to eye up rising global bond yields. European equities have rallied strongly over the last week or so as hopes for the beginning of spring, along with the vaccine rollout, will mean the permanent end of the current harsh lockdowns. VIX has moved marginally higher on this latest equity pullback, trading at \$21.75 on Wednesday.

Currencies: The Euro is on the back foot this morning as Dollar pushes higher on the slight risk off tone. EUR/GBP continues its grind lower as the UK goes full steam ahead with their vaccine rollout and Europe lags behind, the pair trading below the 0.87 mark for the first time since April last year.

Safe-havens: Gold is selling off again on Wednesday as real yields have continued to rise recently, the yellow metal approaching major support at \$1,780 as we write. Bond yields pushed higher yesterday again as investors eye up likely rising inflation over the coming months or years, German 10yr Bunds seeing yields as high as -0.333% today, the benchmark US 10yr reaching a 1.3% yield.

Looking ahead: This afternoon at 13:30 Irish time we will see the release of monthly retail sales data from the United States, followed by the Fed's latest meeting minutes this evening. Focus will then likely begin to turn to Friday and the Manufacturing and Services PMI February data to be released from Europe and the US. Tomorrow we are due to get earnings results from Daimler, Nestlé, Airbus, and Walmart, followed by Allianz and Danone on Friday.

Key Events to Watch

17/02/2021 - US Retail Sales

17/02/2021 - Fed Meeting Minutes

19/02/2021 - European PMIs

19/02/2021 - US PMIs

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,932	-0.06%	4.70%
DAX	14,064	-0.32%	1.88%
EuroStoxx	3,726	-0.21%	4.51%
ISEQ	7,339	-0.32%	-0.61%
FTSE	6,748	-0.11%	4.09%
Nikkei 225	30,292	-0.58%	10.38%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2104	-0.19%	-1.14%
EUR/GBP	0.8705	-0.18%	-2.65%
GBP/USD	1.3901	-0.01%	1.60%
USD/CHF	0.8923	0.25%	1.10%
USD/JPY	106.04	0.65%	2.68%
EUR/JPY	128.36	0.45%	1.52%

Fixed Income	Value	Daily Change
US 10yr	1.311	0.061
US 2yr	0.123	0.008
Bund 10yr	-0.347	0.035
Irish 10yr	-0.003	0.049
Gilt 10yr	0.624	0.052
JGB 10yr	0.086	0.010

Financial News Round Up

Total Produce & Dole

Irish food producer Total Produce has announced that it now plans to merge with the American 'Dole Food Company', moving its new listing to New York, from Dublin and London. This move follows Total Produce's 45% stake purchase in the American firm back in 2018, for a total of €300m at the time. The new company is set to operate under the Dole brand name, and will have its global HQ in Dublin.

When the company goes public, shareholders are set to receive 82.5% of the new 'Dole plc' shares, while shareholders in Castle & Cooke, who have a 55% interest in Dole's parent company, will receive 17.5% of the new Dole plc shares.

"I am confident the combined business will open new avenues of value creation for shareholders and pursue innovation in healthy nutrition for our customers worldwide" said Carl McCann, chairman of Total Produce. "The combined company will become the largest global player with over 170 years of history in fresh produce in both companies, a highly diversified portfolio, resilient earnings and a strong balance sheet that positions us well for accelerated growth" he added.

The new firm will be the largest producer of fresh food on the planet with an estimated 2020 revenue of roughly \$9.7 billion and total assets of about \$4.5 billion. Dole plc intends to raise between \$500m - \$700m in equity capital with its new listing, which we believe will help the firm to strengthen and de-lever their combined balance sheet.

Rio Tinto

Anglo-Australian multinational metals and mining corporation Rio Tinto has this morning released its 2020 earnings results, in which the firm said it has seen a 22% increase in net profits.

The world's second biggest mining company saw a robust net profit for last year of \$9.77 billion, comparing to 2019's \$8.01b. Rio Tinto, who benefitted hugely from the commodity iron ore's sharp rally last year, reported a 20% lift in underlying earnings to \$12.45b, coming in above our forecasts for roughly \$11.8b.

"During 2020, the agility and resilience of the business and our employees, coupled with strong commodity prices, enabled us to deliver underlying EBITDA of \$23.9 billion and return on capital employed of 27%" said CEO Jakob Stausholm.

The shares are trading through an all-time high of £6,494 in London on Wednesday morning following the release, up 18.5% YTD so far, having gained over 21% throughout the turbulent 2020. On the back of this morning's release we have decided to upgrade our price target on the stock to £6,900, representing a potential 6.75% upside from this morning's price. With Rio Tinto's consistently strong dividend yield of above 4%, and their P/E trading at a discount to close rivals BHP, we are a buyer of pullbacks on this particular name.