

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Shares are moving higher to start the week off in Europe, accompanied by futures in the US this morning, each of the three main indices are higher. The VIX volatility index has traded lower over the past week, finding fair value at \$21.27 on Monday. This latest positive sentiment comes after better-than-expected data releases from China overnight. Investors are also beginning to expect strong growth figures out of the US in the coming months, particularly after Joe Biden signed the \$1.9tr stimulus package into law last week. We expect volumes and volatility in equity markets to remain subdued until after the Fed release on Wednesday evening.

Currencies: The Dollar is edging higher on Monday morning, bringing EUR/USD back down towards the 1.19 mark. While the greenback will likely remain relatively quiet ahead of the Federal Reserve in a couple of days' time, traders will still be closely watching Treasuries as yields move higher in the US. Sterling was slightly stronger last week as the region moves towards an earlier emergence from the lockdowns than its counterparts across Europe, GBP pairs are expected to remain range-bound ahead of the BOE release this Thursday.

Safe-havens: Gold is roughly half a percent higher on Monday, having stabilized over the past week after the metal briefly traded below \$1,700 for the first time since May 2020 on the back of rising real yields and lagging inflation. Bond yields in Europe have come under control over the last few weeks, the region's benchmark 10yr Bund yielding -0.325% this morning, the ECB last week moving to speed up bond purchases in the near-term which in theory should keep yields contained for now. US 10yr yields lower to 1.613% today as traders await the Fed.

Key Events to Watch

16/03/2021 - US Retail Sales

17/03/2021 - Fed Rate Decision

18/03/2021 - BOE Rate Decision

19/03/2021 - BOJ Rate Decision

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,943	0.10%	4.99%
DAX	14,502	-0.46%	6.20%
EuroStoxx	3,833	-0.32%	8.48%
ISEQ	7,976	-0.28%	9.54%
FTSE	6,761	0.36%	5.24%
Nikkei 225	29,766	0.17%	8.46%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1952	-0.27%	-2.33%
EUR/GBP	0.8582	0.21%	-4.08%
GBP/USD	1.3922	-0.49%	1.87%
USD/CHF	0.9297	0.60%	4.98%
USD/JPY	109.00	0.47%	5.75%
EUR/JPY	130.28	0.21%	3.28%

Fixed Income	Value	Daily Change
US 10yr	1.625	0.090
US 2yr	0.149	0.006
Bund 10yr	-0.295	0.036
Irish 10yr	0.043	0.025
Gilt 10yr	0.825	0.089
JGB 10yr	0.114	0.009

Financial News Round Up

The Week Ahead

In terms of economic data, this week will be dominated by releases from three of the world's major central banks, with the Federal Reserve in the US on Wednesday evening, followed by the same from the Bank of England on Thursday at midday and the Bank of Japan in the early hours of Friday morning.

For the Fed this week, market participants are mostly expecting Powell to reiterate that an expected pick up in inflation this year will be 'transitory', meaning somewhat temporary, given the large amount of labour market slack that remains. We expect the US' central bank to revise upward their economic growth and inflation forecasts for 2021. Both the Fed and the BOE are widely expected to keep their policy on hold this week, we do not anticipate any shock from either bank in that regard.

Aside from central banks, we are due to see monthly retail sales results from the US tomorrow afternoon, CPI inflation readings from Canada on Wednesday, Australia's monthly unemployment rate in the early hours of Thursday morning which will be followed by a speech from ECB President Christine Lagarde in Brussels.

This week we will also see quarterly earnings releases from Volkswagen (Tuesday), BMW (Wednesday), Nike, Accenture, and FedEx (Thursday).

Aryzta

Swiss-Irish food business Aryzta has this morning reported a 22% drop in revenue for the half year to almost €1.3 billion, along with an underlying net loss of €16.4m. These latest results compare with the group's €34.3m profit this time last year. The group agreed to dispose of its North American assets over the weekend for a reported \$850m (€710m) to private equity firm Lindsay Goldberg, Aryzta having previously set a target of €600 - €800m for proceeds from asset disposals.

"The progress to date validates the overwhelming shareholder vote for change in September and December 2020 and the renewed board's decision to reject the proposal to sell the entire business" said Aryzta chairman and interim CEO Urs Jordi.

"We can now focus on delivering the necessary operational improvements and returning to organic growth as we leverage the significant broad bakery experience to improve shareholder returns" he went on to add. We note that Aryzta has not provided any forward guidance at present, citing "ongoing challenges and uncertainty surrounding Covid-19".

DCC

News has emerged this morning that a key member of our core stock list, DCC, has purchased Worner - a supplier of medical and lab equipment in Germany and Switzerland for roughly €80m. Worner employs 158 individuals in total and recorded revenue of about €70m last year, while selling to over 20,000 customers annually, including GPs, specialist medical centres, and laboratories.

We reiterate our 'buy' rating on DCC, with its forward-looking P/E of under 16 times, consistently growing dividend over the past 15 years, and strong acquisition track record as of late.