

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

Tuesday, 27th of April

Markets Outlook

Equities: The main equity indices in Europe are moving slightly lower on Tuesday morning as earnings season continues around the continent, DAX30 and EuroStoxx50 circa 0.20% lower as we write. Futures in the US are quiet this morning, trading marginally higher as investors sit on the sidelines ahead of tomorrow's Fed release. CBOE VIX volatility index at \$17.59 on Tuesday morning, VIX futures at \$20.05.

Currencies: We expect a quiet day for the Dollar on Tuesday ahead of the FOMC meeting tomorrow, the world's reserve currency widely expected to remain rangebound against other major currencies with DXY staying around the 91 mark. There were no surprises from the BOJ last night, USD/JPY steady at 108.35 today. Looking through this round of global central bank releases, we expect the 10yr US Treasury yield to be the key driver of any Dollar pairs.

Safe-havens: Gold is flat this morning and is expected to remain fairly muted today until we get further clarity from the Fed tomorrow, precious metal traders will keep a close eye on Dollar and US Treasury moves going forward, gold at \$1,778 today. The main government bond yields are edging slightly higher, continuing on from yesterday in very quiet trade.

Looking ahead: For regular economic data: today will be on the quieter side, with OPEC nations meeting throughout the day and consumer confidence results to come from the US this afternoon. Tomorrow we will see the Federal Reserve's latest release. In terms of earnings results: we are in for a very busy few days, with General Electric, 3M, Visa, Google, Microsoft, Starbucks, Amgen, and many more to come this afternoon from the States. Tomorrow we are due to get releases from Apple, Facebook, Qualcomm, Boeing, Sony, Sanofi, GSK, Ford Motor, Puma, and many other large names.

Key Events to Watch

28/04/2021 - Fed Rate Decision

29/04/2021 - US GDP

30/04/2021 - Chinese Manufacturing PMI

30/04/2021 - German GDP

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,187	0.18%	11.53%
DAX	15,296	0.11%	11.48%
EuroStoxx	4,020	0.19%	13.02%
ISEQ	8,154	1.02%	10.84%
FTSE	6,963	0.35%	7.89%
Nikkei 225	28,991	-0.46%	5.64%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2079	-0.09%	-1.18%
EUR/GBP	0.8693	-0.30%	-2.62%
GBP/USD	1.3895	0.22%	1.53%
USD/CHF	0.9146	0.07%	3.47%
USD/JPY	108.21	0.30%	4.96%
EUR/JPY	130.71	0.22%	3.72%

Fixed Income	Value	Daily Change
US 10yr	1.572	0.012
US 2yr	0.178	0.019
Bund 10yr	-0.255	0.002
Irish 10yr	0.101	-0.016
Gilt 10yr	0.758	0.013
JGB 10yr	0.077	0.003

Financial News Round Up

Federal Reserve

Markets in general will remain quiet and will likely trade on lower volumes ahead of tomorrow evening's FOMC (Federal Open Market Committee) statement. The Federal Reserve are due to release their latest rate decision and monetary policy statement (at 7pm tomorrow Irish time), followed by the usual press conference 30 minutes later during which Jerome Powell will likely be asked about whether improving conditions warrant a withdrawal of monetary easing.

We do not forecast any changes from the US central bank tomorrow, with rates expected to stay in the 0-0.25% range and QE monthly asset purchases to be maintained at \$120bn.

We do note that the Fed's meeting in June will be far more significant than tomorrow's, as this is when the central bank will be releasing their quarterly economic projections. Needless to say, the US will have much more clarity on their reopening in June than they had last month when the Fed released its latest set of economic projections.

HSBC

HSBC, Europe's largest bank, have reported a stronger than expected quarterly profit this morning while also releasing \$400m it had set aside to cover pandemic-induced bad loans. The bank did however caution that it was unlikely to sustain that level of reduction in the \$3 billion bad debt provision it had set aside a year ago.

"We are still being relatively cautious, and we've retained about 70% of the reserve build up we did last year" said the firm's CFO, "Some of that you would expect to unwind over the next year or so, but we don't know we are going to see a repeat of what we just saw".

Profits before tax came in at \$5.78 billion for the first quarter, up from \$3.21b this time last year and well above the average analysts' projection for \$3.35b. HSBC saw profits of \$6.21b in Q1 2019, indicating that the bank still has some way to go in order to get back to pre-pandemic levels.

The shares dropped by a significant 36% during 2020, and are over 13% higher YTD so far at £4.291 in London. HSBC shares currently have a forward-P/E of 12 times and a TTM P/E of over 30 (vs the industry 20.1x). Despite their 2.56% dividend yield at current levels, we prefer other names in the financials and banking space with regard to both income and growth, we remain on the sidelines with regard to HSBC.

Irish Reopening

IBEC chief executive Danny McCoy has written to the Irish Government to lay out what the organisation sees as the key priorities for the reopening of our economy.

"It is clear that the understanding, and indeed credibility, of the Five Levels set out in the Covid Framework need to be reset to reflect the situation of summer 2021, not the conditions encountered last summer when originally devised" he stated.

"Keeping businesses in Level 5, when circumstances have considerably improved, is both undermining confidence and the sense of equity as society moves ahead of the guidance".