

# Daily Update

Your daily market news, moves  
and outlook



## SEASPRAY FINANCIAL

Wealth & Investment Management

### Wednesday, 28th of April

## Markets Outlook

**Equities:** Europe is seeing mixed trade after the open, but still mostly quiet, Germany's DAX 0.35% higher after strong earnings results from Deutsche Bank. Markets in general will likely remain very quiet until after the Fed tonight, we do not expect any changes from the central bank or any update on any tapering of QE, Powell will however be questioned on this matter. CBOE VIX volatility index slightly lower to \$17.47, VIX futures at \$19.73 on Wednesday morning.

**Currencies:** The main currency pairs have seen mostly sideways trade so far this week, with EUR/USD resting around 1.2070 and EUR/GBP at 0.87. The Dollar could see some movement after tonight's Fed release, as investors begin to position after remaining on the sidelines for some days now. Dollar traders will also turn their attention to the direction of the US 10yr Treasury yield after the Fed is out of the way.

**Safe-havens:** Gold is pulling back somewhat this morning as Treasury yields move higher, the metal half a percent lower on the session to \$1,770. The benchmark US 10yr moves to 1.64% this morning, its highest yield in roughly two weeks. Likewise European bonds are selling off on Wednesday, pushing Germany's Bund yield to -0.210% for the first time since late February.

**Looking ahead:** The highlight of the week from a data point of view will come from the Fed this evening, 7pm Irish time followed by Fed Chair J Powell's usual press conference at 7:30pm. We are also due to hear from ECB President Lagarde this afternoon, and will get the US' quarterly GDP tomorrow, expected at 6.8% q/q. For earnings, we are due to hear from Apple, Ford, Boeing, Qualcomm, and Facebook later today, followed tomorrow by Royal Dutch Shell, Total, Airbus, Caterpillar, McDonald's, Mastercard, Twitter and many more tomorrow.

## 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	4,186	-0.02%	11.47%
DAX	15,249	-0.31%	11.60%
EuroStoxx	4,011	-0.22%	12.91%
ISEQ	8,165	0.14%	10.90%
FTSE	6,944	-0.26%	7.92%
Nikkei 225	29,053	0.21%	5.87%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2090	0.08%	-1.16%
EUR/GBP	0.8695	0.03%	-2.56%
GBP/USD	1.3903	0.06%	1.49%
USD/CHF	0.9140	-0.06%	3.56%
USD/JPY	108.75	0.51%	5.59%
EUR/JPY	131.48	0.59%	4.36%

Fixed Income	Value	Daily Change
US 10yr	1.622	0.050
US 2yr	0.182	0.004
Bund 10yr	-0.252	0.003
Irish 10yr	0.108	0.007
Gilt 10yr	0.776	0.018
JGB 10yr	0.092	0.006

## Financial News Round Up

### Microsoft

US tech giant Microsoft reported its fiscal Q3 earnings results last night after the closing bell on Wall Street, beating most analysts' expectations for its key performance metrics. Microsoft posted \$41.7b in revenue for the three-month period up to March 31st, vs expectations for \$41.05b, and a \$2.03 EPS vs expectations for just \$1.78. Net income was 44% higher than this time last year, coming in at \$15.5b.

The firm's biggest growth driver, its Azure cloud division, saw a 23% y/y revenue increase to \$15.12b. "Over a year into the pandemic, digital adoption curves aren't slowing down. They're accelerating, and it's just the beginning" stated CEO Satya Nadella. "We are building the cloud for the next decade, expanding our addressable market and innovating across every layer of the tech stack to help our customers be resilient and transform". Microsoft's commercial cloud business also saw a 33% jump in sales, only slightly below the rate in the preceding three months.

We reiterate our 'buy' rating on this stock, upgrading our price target from \$280 to \$290 given the continuous upward re-rating of its sector and the strength of Microsoft's results and forward guidance. This new target represents over 13% upside potential from where the stock is set to open today in New York. The shares have a forward-looking P/E of 33.8 times, and a TTM P/E of 38.7 versus the industry 53x. In addition, the firm has consistently increased its dividend per share payout over the past decade, now sitting at \$2.24, equating to a yield of 0.9%.

### CRH

Dublin-headquartered international group of diversified building materials businesses CRH has this morning released its latest set of earnings results. The company saw a strong start to 2021 with Q1 like-for-like sales 3% higher on the back of stronger demand for residential construction, especially in North America.

CRH also stated that they expect their first-half core earnings to be "well ahead" of the same period last year which was of course hit by the first set of lockdowns, underpinning investors' confidence going forward.

Q1 sales came in 1% lower in its largest Americas materials division, while rising by 1% in Europe materials. Building product sales were however 12% higher due to a broad rise in housebuilding.

"While near-term uncertainties remain, we expect first-half profitability to be well ahead of the prior year period which experienced a heavily disrupted second quarter due to Covid-19" said chief executive Albert Manifold, "As we look ahead to the second half of the year, we expect further normalisation in our markets as the health situation continues to improve."

CRH is a core member of our stock list, and we maintain our 'buy' rating following this morning's release, with our in-house price target of €50 representing a 26% upside from current levels if reached. Given our sectoral and regional views for the remainder of this year, CRH's favourable forward-P/E of under 18x, robust balance sheet, and its strong dividend yield of 2.4% (well above any developed economies' short to medium duration government bond yields), we reiterate our strong bullish view on this name and remain overweight for the time being.