Daily Update

Your daily market news, moves and outlook

SEASPRAY FINANCIAL
Wealth & Investment Management

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Markets Outlook

Equities: Markets in Europe are flat to marginally higher this morning following a mostly positive session in Asia overnight. This positive risk sentiment has come as concerns about inflation overheating continue to ease off. Global stock markets have taken comfort recently as Fed officials continue to reaffirm a dovish monetary policy stance despite signs of an uptick in inflation. The VIX yesterday traded down to its lowest level in over two weeks to $16.87, sitting at $18.42 this morning.

Currencies: We have seen a relatively quiet few days on the currency front, with the Dollar grinding lower this week on a so-far sparse macroeconomic calendar. Markets will begin today to turn their attention towards Thursday and Friday's GDP and inflation figures to come from the United States. EUR/USD and EUR/GBP steady at 1.2235 and 0.8650 on Wednesday.

Safe-havens: Government bond yields moved lower yesterday on the back of dovish comments from Federal Reserve officials throughout the day. The US central bank has been keen this week to get the message across that they still see any elevated inflation pressures as temporary, causing a bid in Treasuries which brought the benchmark US 10yr yield down to the lower end of its range around 1.56%. Gold, which benefits from a fall in real yields, has rallied to above $1,900 on Wednesday, the metal having seen steady trade higher for a couple of months now.

Looking ahead: This afternoon is set to be quieter on the data front, with no major releases to note , however we will see two Fed officials speak. Looking to tomorrow we are due to see the release of the US' q/q GDP data (expected at 6.5%) followed on Friday by monthly US PCE inflation data.

Key Events to Watch

27/05/2021 - US GDP
28/05/2021 - US PCE Inflation
31/05/2021 - Chinese Manufacturing PMI
01/06/2021 - US Manufacturing PMI

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,188	-0.21%	11.50%
DAX	15,465	0.18%	12.92%
EuroStoxx	4,036	0.01%	13.79%
ISEQ	8,197	0.48%	11.46%
FTSE	7,029	-0.31%	8.90%
Nikkei 225	28,642	0.31%	4.37%

FX	Value	Daily Change	YTD Change
EUR/USD	1.2250	0.29%	0.23%
EUR/GBP	0.8654	0.34%	-3.06%
GBP/USD	1.4151	-0.03%	3.43%
USD/CHF	0.8953	-0.18%	1.12%
USD/JPY	108.76	0.02%	5.42%
EUR/JPY	133.23	0.33%	5.66%

Fixed Income	Value	Daily Change
US 10yr	1.560	-0.043
US 2yr	0.145	-0.006
Bund 10yr	-0.175	-0.035
Irish 10yr	0.220	-0.056
Gilt 10yr	0.788	-0.024
JGB 10yr	0.072	0.003

Financial News Round Up

C&C

Dublin-headquartered alcoholic drink manufacturer, marketer, and distributor C&C Group plc has reported its 12-month result to the end of February, during which time the firm's revenues fell 56% to €736.9m vs €1.678 billion in the previous year. C&C's operating losses also came in significantly lower to €59.6m vs €118.6 one year prior. We see this as somewhat unsurprising, with roughly 80% of the group's pre-pandemic revenue coming from the hospitality sector.

Taking a closer look at regions, C&C's British markets witnessed revenue declines in excess of 36% to €206.8m, while its Irish market was 26.6% lower to €166.1m.

In an effort to shore up its balance sheet and be in a position to take full advantage as the hospitality sector emerges this summer the group today announced a rights issue which will aim to raise about £151 million.

"Our business model was proven during FY2021 as, during the periods of on-trade restrictions easing, we returned to profit and cash generation" said chief executive David Forde.

"C&C's brand strength was demonstrated by our core brands growing off-trade share, reflecting their special relationship to the customers they serve" he added.

C&C Group shares have plunged by circa 11% at this morning's opening bell, trading down to a three-month low of £2.556, however still up over 16% YTD so far. With regard to the alcohol drinks subsector, Diageo is our preferred stock at present. With its more robust balance sheet and more diversified product offering, Diageo was able to maintain its dividend pay out during 2020 (current div. yield of 2.06%) while peers such as C&C were not. Diageo has a forward-looking P/E of 27.6 times, and earnings growth forecasts of over 10% per year over the next 5 years, we believe the drinks-maker is well placed to benefit from re-openings this summer and well into H2.

Hibernia REIT

Irish real estate investment trust Hibernia REIT has seen a net loss of €25.2 million for the year to the end of March, while its portfolio value fell by 4.4% to €1.427 billion over the period. This compares with the REIT's net profit one year prior of €61m.

"While we recorded a net loss due to a modest decline in portfolio value, our continued high rent collection rates have helped deliver double-digit growth in EPRA earnings and dividend" said CEO Kevin Nowlan. Hibernia's rent collection, which has been a consistent strength for the company, averaged at 99% for this financial year just gone.

We note that the company has proposed a final dividend per share of 3.4 cent, bringing the total dividend for the 12-month period to 5.4 cent (13.7% increase y/y). At current prices, the shares have a dividend yield of 4.09% and trade well below book value (0.7 times) vs the industry 0.9x and the EuroStoxx600 Real Estate index's 1.1x.

We maintain our €1.35 price target for Hibernia (potential 16+% upside), and keep the REIT as our preferred pick in the Irish real estate market due to favourable valuations vs its direct peers, robust and consistent dividend payouts and healthy payout ratio forecasts.