

# Daily Update

Your daily market news, moves  
and outlook



## SEASPRAY FINANCIAL

Wealth & Investment Management

### Wednesday, 21st of July

## Markets Outlook

**Equities:** European stock markets are continuing their bounce-back from Monday's sell-off this morning, the main indices up between 0.60% and 1.30% as we write. Focus remains on earnings results and also any Delta variant developments and case numbers across the continent. Looking at the UK, the FTSE100 trades 1.6% higher on Wednesday, still lagging its European counterparts by roughly 4 or 5% on a YTD basis. The VIX is edging lower for the second day running, down to \$18.67 this morning.

**Currencies:** The Dollar has continued to grind higher over recent days, however in a relatively quiet fashion, as data releases remain sparse and focus stays on the virus - EUR/USD down to 1.177 and GBP/USD (cable) to 1.362. Euro traders will now look to the ECB release tomorrow for any clues as to where the bank is heading over the coming months, it could well turn out to be a non-event however, with very little volatility.

**Safe-havens:** Government bond yields are rebounding slightly on Wednesday morning, after seeing weeks of lower trade. The benchmark US 10yr is 4 basis points higher to 1.248% as we write, German 10yr marginally higher to -0.397%.

Precious metals are mixed today, gold slightly lower and remaining fairly subdued ahead of the ECB tomorrow, silver 1% stronger to \$25.25.

**Looking ahead:** Later today we will see earnings releases from the likes of J&J, Coca-Cola, Nasdaq Inc, Verizon Communications, followed on Thursday by AT&T, Roche Holding, Newmont Corp, Biogen, American Airlines, Southwest Airlines, Twitter, Intel, and many other smaller names. In terms of data points: Wednesday is due to be quiet once again. Thursday will see the ECB's latest monetary policy release, with no changes expected by analysts.

## Key Events to Watch

22/07/2021 - ECB Rate Decision

23/07/2021 - UK Retail Sales

23/07/2021 - European PMIs

23/07/2021 - US PMIs

## Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,323	1.52%	15.10%
DAX	15,216	0.55%	11.16%
EuroStoxx	3,956	0.71%	12.33%
ISEQ	7,874	1.05%	7.74%
FTSE	6,881	0.54%	7.46%
Nikkei 225	27,548	0.58%	0.38%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1779	-0.16%	-3.74%
EUR/GBP	0.8642	0.19%	-3.16%
GBP/USD	1.3626	-0.34%	-0.56%
USD/CHF	0.9217	0.41%	4.25%
USD/JPY	109.84	0.37%	6.61%
EUR/JPY	129.38	0.20%	2.61%

Fixed Income	Value	Daily Change
US 10yr	1.222	0.023
US 2yr	0.201	-0.016
Bund 10yr	-0.416	-0.022
Irish 10yr	-0.001	-0.015
Gilt 10yr	0.552	-0.007
JGB 10yr	0.007	0.000

## Financial News Round Up

### ECB Tomorrow

At 12:45pm on Thursday the European Central Bank are due to release their July monetary policy statement and latest rate decision, after what will have been a 2-day meeting for policymakers at the central bank. This will be followed by the usual 1:30pm press conference, hosted by ECB President Christine Lagarde, which should last about an hour.

This meeting may provide us with some more clarity on the bank's plans going forward, after the release of the ECB's strategy review a couple of weeks ago. This new strategy has set the Eurozone's inflation target to a clear 2% with a commitment to symmetry, meaning that "the Governing Council considers negative and positive deviations from this target as equally undesirable", with temporary deviations from this target to be tolerated.

We note that after the presentation of the strategy review, Lagarde did suggest changes to the bank's forward guidance to come at this next meeting, but market participants are still somewhat unclear on the details.

### Netflix

Netflix released its Q2 earnings results last night, indicating in this release that the firm will look to explore gaming as an alternative revenue generator - as the movie and TV streaming service forecasted weaker subscriber growth amid increasing competition and the lifting of restrictions that had benefited them so much.

Netflix reportedly lost 430,000 subscribers over the three-month period to the end of June in the US and Canada, only its third quarterly decline in the past decade. The company has now projected that it will add 3.5 million customers during the current quarter, with most analysts having expected 5.5 million previously. Overall, Netflix added 1.54 million new customers during Q2, actually beating expectations for 1.04m, and leaving total subscriber numbers at 209 million. EPS was \$2.97 in the second quarter, missing estimates for around \$3.16.

The shares are moving about 30 basis points lower in pre-market trade in New York, down almost 2% YTD and having remained largely range-bound for a full year now.

### Daimler

Daimler AG have stated in their release today that early-year growth from their Mercedes-Benz division will be cancelled out by the global semiconductor shortage, which the carmaker expects will also pose a threat during H2. Revenues at Mercedes are now estimated to come in roughly flat this year rather than up significantly from 2020, the company alluding to the fact that the lack of chips will have an adverse impact on business as the year goes on.

EBIT came in at €5.19b for Q2, while revenue was 44% higher to €43.5b, despite the semiconductor shortage.

The stock has opened lower after this release, albeit rebounding since the open at 8am, now down just 0.70% to €69.65 in Germany. Daimler has moved over 20% higher so far this year, having benefited hugely from the general cyclicals rally. The stock has a forward P/E of 6.3x at present, and a TTM P/E of 9.6x vs the industry 9.1x. Current dividend yields sit at 1.9%, well covered by the firm's 18.5% payout ratio and future payout ratio expectations of 37%.