

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Stock markets in Europe have opened lower on Wednesday following a broadly negative session in Asia overnight, big tech continued to weigh on Japanese and Korean markets. The EuroStoxx50 index is over 2% lower so far today, while Germany's DAX has touched its lowest prices since May. VIX is higher today to \$23.15, focus remains on higher for longer inflation, slowing growth which is leading to a stagflation situation, Evergrande uncertainty, US political issues especially regarding the debt ceiling, and less dovish central banks.

Currencies: EUR/USD is trading through 14-month lows on Wednesday morning, the world's most traded currency pair currently at 1.155 and falling. The safe-haven Dollar has seen a boost as inflation concerns are rising in the minds of investors - rising and persistent inflation that would cause the Fed to promptly tighten its monetary policy. The greenback has also benefited in recent weeks from rising Treasury yields in the US.

Safe-havens: Energy prices continue to rise this week, WTI Crude Oil this morning trading just shy of \$80, Brent at 3-year highs around \$83. Yields on developed nations' government bonds have risen sharply this week, as higher oil prices spark concerns about lingering higher inflation in the months and quarters ahead. Benchmark US 10yr at 1.545%, German 10yr at a 3-month high of -0.175%.

Looking ahead: This afternoon we will see the release of the 'ADP Employment' figures out of the US, these may give us an idea of what to expect from this Friday's NFP results. Mainland China remains shut this week for its Golden Week holiday. Next week we see the big US banks kick off the Q3 earnings season.

Key Events to Watch

08/10/2021 - US Non-Farm Payrolls

11/10/2021 - US Bank Holiday

12/10/2021 - Eurozone Economic Sentiment

13/10/2021 - US CPI Inflation

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,345	1.05%	15.70%
DAX	15,194	1.05%	8.81%
EuroStoxx	4,065	1.73%	12.37%
ISEQ	8,474	0.55%	13.14%
FTSE	7,077	0.94%	8.18%
Nikkei 225	27,528	-1.05%	0.31%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1596	-0.21%	-5.29%
EUR/GBP	0.8510	-0.30%	-4.51%
GBP/USD	1.3627	0.10%	-0.77%
USD/CHF	0.9284	0.41%	5.04%
USD/JPY	111.50	0.56%	8.15%
EUR/JPY	129.29	0.31%	2.43%

Fixed Income	Value	Daily Change
US 10yr	1.536	0.054
US 2yr	0.287	0.008
German 10yr	-0.188	0.029
Irish 10yr	0.205	0.028
UK 10yr	1.093	0.085
Japanese 10yr	0.082	0.016

Financial News Round Up

Tesco

British multinational food retailer Tesco plc has this morning released stronger than expected first-half results, stating that it would also now buy back £500m worth of shares from the market.

Tesco, the third largest retailer of its kind in the world when measured by gross revenues, also decided to upgrade its full-year adjusted operating profit to be between £2.5b and £2.6b. In terms of forward guidance, the firm had previously limited itself to predicting a "strong recovery in profitability", as pandemic-associated costs slowly diminished.

The group have reported an operating profit in the six-month period up to August 28th of £1.3 billion, 29% higher than the same time last year when the costs of hiring new staff and implementing Covid measures weighed heavily on the firm. Sales in the UK, Tesco's largest market, were up 1.2%, with revenue at its wholesale arm Booker, who were hit last year by the pub and restaurant shutdowns, rose 11%.

"We've had a strong six months; sales and profit have grown ahead of expectations, and we've outperformed the market" said chief executive Ken Murphy. "With various different challenges currently affecting the industry, the resilience of our supply chain and the depth of our supplier partnerships has once again been shown to be a key asset".

Tesco shares are almost 4.5% stronger on the back of these results this morning, investors pleasantly surprised by the statement which did not mention inflationary concerns, staff shortages, or supply chain issues. Tesco, now 14.5% higher YTD, has a forward P/E of 13.3 times, and a TTM P/E of 27.2x versus the industry 22.7x. The shares yielded a dividend of 3.6% at last night's close, with a relatively high pay-out ratio at present of 123%.

Corporation Tax

Our government looks set to announce this week that it will sign up to the OECD agreement on corporate tax, the decision following what were apparent concessions that the European Commission will not push for a rate above 15% and that Ireland can retain its existing 12.5% rate for firms not within the scope of the agreement.

A final text on the matter is due to be circulated later today to the negotiating countries, after an update this week removed the "at least" from a proposed minimum global corporation tax of "at least 15%".

"I am hopeful Ireland can be part of supporting this new measure but we have to wait for the final text which hopefully will be available this evening. Ireland does not want to be isolated in this space" said Simon Coveney earlier today.

Central Bank of Ireland

In the CBI's quarterly bulletin, published this morning, the bank says that a stronger than expected recovery is forecast to result in activity in the domestic economy returning to pre-Covid levels later this year. The central bank expects modified domestic demand to rise by 5.5% in 2021, up from last quarter's estimate for 4.1%. Domestic demand is expected to grow by over 7% next year.

The CBI does warn that short-term demand increases coupled with bottlenecks in the supply of certain goods will give way to (temporary) higher inflation in the region. Inflation this year is forecast to come in at an average of 2.1%, and 2.9% in 2022.