

Daily Update

Your daily market news, moves
and outlook



SEASPRAY FINANCIAL

Wealth & Investment Management

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Markets Outlook

Equities: Stock markets on the continent are over a percent stronger this morning, making up for most of yesterday's losses. Tech was firmer yesterday causing the S&P and Nasdaq to finish in the green, and leaving European indices lower on the session. US equities also benefiting on Wednesday night from what looks to be a short-term debt ceiling fix coming up for the nation, the VIX has moved to the bottom of its week-long range around \$20.60.

Currencies: The Dollar is edging slightly lower this morning after reaching its 1-year high yesterday versus the Euro at 1.153. This morning's move comes as a compromise over the US debt ceiling appears more likely, but the greenback still remains near recent highs as soaring energy prices add to worries that elevated inflation will pressure the Fed to quickly tighten its monetary policy.

Safe-havens: Gold has traded flat this week around \$1,760, with inflation concerns on one hand but rising yields on the other keeping the metal locked within this tight range. The US 10yr Treasury briefly traded its lowest price in four months yesterday at a yield 1.57%. Attention will remain on energy prices and inflation expectations for the next few weeks.

Looking ahead: In terms of economic data, Thursday afternoon looks set to be quieter. We will however see the release of the minutes from the ECB's September meeting at 12:30, not expected to have a big impact on markets. The US' weekly unemployment claims figure will also come out this afternoon. Focus is more on tomorrow's Non-Farm Payrolls result. The big US banks will report earnings results next week, equity markets will begin to focus on earnings growth and outlooks in the coming days.

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	4,363	0.41%	16.17%
DAX	14,973	-1.46%	10.49%
EuroStoxx	4,012	-1.30%	14.54%
ISEQ	8,378	-1.14%	14.49%
FTSE	6,995	-1.15%	9.39%
Nikkei 225	27,678	0.54%	0.85%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1556	-0.34%	-5.31%
EUR/GBP	0.8508	0.02%	-4.69%
GBP/USD	1.3580	-0.36%	-0.62%
USD/CHF	0.9272	-0.05%	4.72%
USD/JPY	111.41	-0.04%	7.77%
EUR/JPY	128.75	-0.38%	2.04%

Fixed Income	Value	Daily Change
US 10yr	1.528	0.000
US 2yr	0.297	0.012
German 10yr	-0.180	0.008
Irish 10yr	0.213	0.008
UK 10yr	1.078	-0.009
Japanese 10yr	0.072	-0.004

Financial News Round Up

US Debt Ceiling

Last night we saw Democrats and Republicans in Congress open the door to a temporary solution to the United States' debt ceiling dilemma, stating that they would look at a stop-gap proposal which would extend the nation's borrowing limit until December. This development came after the Senate's top Republican, Mitch McConnell, offered to support a temporary extension to the country's debt limit. This of course will bring a short term solution to a stand-off that has certainly brought some discomfort for investors in US markets as of late.

"We're making good progress. We're not there yet. But I hope we can come to an agreement tomorrow morning" said Chuck Schumer, Democratic Senate majority leader, overnight.

While we do not believe the US will default on its debt any time soon, we do note that a scenario in which this does happen would be catastrophic for the world superpower, undermining US credibility around the rest of the world. Many large participants in the financial markets would begin to lose faith in the United States, the Dollar along with equity markets would likely see sudden depreciations, and spending in the US for areas such as the military would be sharply cut.

Royal Dutch Shell

Anglo-Dutch multinational oil and gas company Shell has released a trading update on Thursday morning, in which the firm has revised its earnings guidance after what was a volatile Q3 with swinging gas and power prices and also a hurricane in the Gulf of Mexico.

Shell stated that the damage caused by hurricane Ida in August will hit earnings by roughly \$400m, however cash flow from operations would be boosted by higher margin power and gas trading.

The shares are slightly higher on Thursday, having risen by over 17% in the last month and 34% YTD. Royal Dutch Shell, now trading at levels last seen at the beginning of the pandemic (€19.65), trades on a forward-looking P/E of just over 8 times, and a TTM P/E of 31x versus its industry 12x. Shell has a price to book value of 1.0, slightly lower than the average 1.1x of its European peers. The stock yields a dividend of 2.9% at current levels, with a pay-out ratio of 105%. From an income perspective, we prefer other names within the energy space in Europe, Shell significantly cut their dividend payout to investors at the beginning of the pandemic where others did not.

ESRI Forecasts

Ireland's Economic and Social Research Institute (ESRI) has released its Quarterly Economic Commentary this morning, in which the group is forecasting for our domestic economy to grow by just over 7% this year, while GDP is set to increase by 12.6%.

The ESRI said that it has factored in a reduction in the forecast Budget deficit for this year from circa €20 billion to €15b, lifting some of the pressure on the public finances. It also did mention that it believes significant investment will continue to be needed in housing, climate action, and healthcare in the short to medium term in Ireland. This necessary spending may call for further borrowing and/or some form of new taxes.