



Thursday, 21st of October

### Markets Outlook

**Equities:** The main indices on the continent are about 0.40% lower this morning, following some weakness across Asia with focus on Evergrande again, as news emerged about the collapse of a \$2.6b asset sale by the property developer. Conversely, generally positive earnings so far are helping to support risk assets in Europe and North America. VIX higher to just above \$16 on Thursday as slight pressure comes on to futures in the US.

**Currencies:** USD is seeing slight strength this morning as US equity futures edge lower, the greenback having moved lower over the past couple of weeks as investor sentiment turned up. Currency traders will continue to keep an eye on any Evergrande developments, and will begin to look towards tomorrow's Services and Manufacturing PMIs.

**Safe-havens:** Gold is moving higher so far this week, the metal steadily approaching \$1,800 once again in what has been a relatively quiet month or so for the asset. While bonds are seeing quiet trade on Thursday morning, yields on both sides of the Atlantic have moved higher so far this week, the US 10yr touching 5-month highs of 1.67%.

**Looking ahead:** Tomorrow will be busy in terms of economic data releases, with the monthly UK Retail Sales kicking the day off before market open. We will then get PMI results from the Eurozone and the UK, followed by the same from the US during the afternoon and then J Powell will speak at 4pm Irish time. Later today we will hear earnings results from Dow Inc, AT&T, American Airlines, Southwest Airlines, Intel, followed tomorrow by Honeywell International and American Express. Next week will be another important week for Q3 earnings, as we hear from large tech names in the States.

### Key Events to Watch

- 22/10/2021 - European PMIs
- 22/10/2021 - US PMIs
- 22/10/2021 - Fed Chair Powell speaks
- 28/10/2021 - ECB Rate Decision

### Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,536	0.37%	20.77%
DAX	15,522	0.05%	12.91%
EuroStoxx	4,172	0.13%	17.14%
ISEQ	8,488	0.53%	14.13%
FTSE	7,223	0.08%	11.44%
Nikkei 225	28,708	-1.87%	4.61%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1649	0.15%	-4.65%
EUR/GBP	0.8426	-0.05%	-5.54%
GBP/USD	1.3824	0.21%	0.99%
USD/CHF	0.9188	-0.43%	3.95%
USD/JPY	114.26	-0.09%	10.48%
EUR/JPY	133.10	0.06%	5.31%

Fixed Income	Value	Daily Change
US 10yr	1.660	0.019
US 2yr	0.387	-0.012
German 10yr	-0.120	-0.012
Irish 10yr	0.245	-0.028
UK 10yr	1.153	-0.012
Japanese 10yr	0.087	-0.004

### Financial News Round Up

#### Unilever

London-headquartered multinational consumer goods corporation Unilever has this morning stated that inflation is likely to advance further next year, keeping pressure on consumer goods firms who will continue to pass on rising costs to customers. Unilever stated that it has beaten Q3 sales growth forecasts and has maintained its full-year profit margin guidance after some analysts feared a cut was coming.

Underlying sales increased by 2.5% over the three-month period when compared with the same time last year, coming in ahead of forecasts for 2.2%. The company's US, China, India, and Turkey units saw increased demand, with a 4.1% rise in prices more than offsetting the 1.5% decline in volumes.

The shares are trading 3% higher in Amsterdam following this latest release, down over 5% YTD so far. Unilever has a forward-looking P/E ratio of 17.5 times, and a reasonable TTM ratio of 21.5x versus its European peers' average of 28.4x. In terms of a payout, Unilever offers a current dividend yield of 3.7%. The firm is heavily focused on returning profits to investors, with a strong pay-out ratio of 82%, and a steady history of rising dividend pay outs even during the pandemic.

We reiterate our 'buy' rating on the stock, and see the pullback of the last few months (from c.€50 to the current €46.70) as a good opportunity to add to positions. Our €56 price target remains intact, representing a potential 19.8% from today's price.

#### Tesla

Tesla, the largest car-maker on the planet by market capitalisation, reported third-quarter results yesterday, while also indicating that supply chain constraints will likely put some pressure on its margins going forward.

Revenue for the automaker came in at \$13.76 billion versus last year's \$8.77b and the \$13.91b forecast. Adjusted EPS was \$1.86, beating analysts' \$1.67 estimates and the prior \$0.76. Interestingly, Tesla's Q3 deliveries grew by more than 70% despite some supply issues, and compares to some disappointing results from a number of its competitors. Earlier this month we saw Tesla report that it delivered over 241,000 vehicles during Q3 (a new record for quarterly deliveries), bringing YTD deliveries to around 627,500 (vs 2020's c.500,000).

Having pulled back during H1 after its phenomenal run last year, the stock has spent much of the last few months grinding back towards record highs and defying its many outspoken short-sellers in the process of doing so. Tesla closed at \$865.80 last night, just over 3% shy of its all-time high of \$900.40, set back in January.

#### Barclays

The British Barclays bank this morning reported stronger than expected Q3 earnings, boosted by investment bank fees from an increase in trading and advisory mandates (similar to its US peers last week).

Gross profits came in at £2b, beating estimates for just £1.6b and almost double the £1.1b made one year prior. The bank's advisory and equities division had their best ever 9-month performance from January to September, leading to an ROE for the overall investment bank of 16.4% vs the prior 10.5%.

The bank's Core Tier One Equity Ratio (CETR1), an often-used measure of balance sheet strength for banks, increased to 15.4% from 15.1%, and ahead of guidance for between 13 - 14%.