



Tuesday, 23rd of November

Markets Outlook

Equities: Stock markets are selling off this morning, with the EuroStoxx indices down about 0.9% as we write. This pullback comes after Europe saw 6 straight weeks of gains during October and the start of November, with focus now shifting to the worsening Covid situation across much of the region. Germany for example yesterday recorded its highest 7-day positivity rate since the pandemic began, while other smaller nations have already re-entered lockdowns. Market participants are also digesting US President Biden's decision to reappoint Powell at the Fed, S&P500 futures are about 0.10% lower, pushing the VIX up to a high of \$20.83 this morning.

Currencies: The Euro was on the back foot again yesterday, undoing Friday's small gains and moving through new lows against the Dollar and Sterling. The 19-nation currency is seeing some slight strength however on Tuesday morning, as we see stronger than expected PMI data come through from large Eurozone nations. EUR/USD to 1.126, EUR/GBP to 0.842.

Safe-havens: Markets priced in a more hawkish Fed last night after Biden decided to go with the current Fed Chair Jerome Powell for one more term, causing gold to sell off by over 2%, now trading at \$1,802. Treasury yields in the US rose for the same reason last night, the country's 2yr bond now yielding 0.638% for the first time since March 2020.

Looking ahead: Following this morning's Services and Manufacturing releases out of Europe and the UK, we are due to see the same from the United States at 2:45pm Irish time. Looking ahead to tomorrow, Germany will release its monthly Business Climate data during the morning, then we will get some important results from the United States as the day goes on. Firstly, US Q3 GDP is due for release, expected at a q/q rate of 2.2%, and will be followed by the region's Core PCE inflation figure for October, expected at 4.1% y/y. Finally, we will get the release of the Federal Reserve's latest meeting minutes tomorrow evening. US markets will close for Thursday and volumes elsewhere are expected to be lower across the board.

Key Events to Watch

23/11/2021 - European & US PMIs

24/11/2021 - US GDP

24/11/2021 - US Core PCE

24/11/2021 - Fed Meeting Minutes

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	4,682	-0.32%	24.68%
DAX	16,115	-0.27%	17.47%
EuroStoxx	4,338	-0.41%	22.13%
ISEQ	8,253	-0.35%	11.90%
FTSE	7,255	0.44%	12.30%
Nikkei 225	29,774	(Closed)	8.49%

FX	Value	Daily Change	YTD Change
EUR/USD	1.1234	-0.37%	-7.84%
EUR/GBP	0.8385	-0.10%	-5.95%
GBP/USD	1.3396	-0.28%	-1.97%
USD/CHF	0.9330	0.39%	5.13%
USD/JPY	114.86	0.63%	11.08%
EUR/JPY	129.03	0.25%	2.37%

Fixed Income	Value	Daily Change
US 10yr	1.632	0.074
US 2yr	0.592	0.065
German 10yr	-0.296	0.038
Irish 10yr	0.136	-0.003
UK 10yr	0.931	0.055
Japanese 10yr	0.070	(Closed)

Financial News Round Up

CRH

CRH released their latest trading statement earlier this morning, the group having seen sales grow by 11% during the first nine months of the year (to \$22.8b), vs the same period in 2020. The group also saw its EBITDA rise by a steady 15% over the period, coming in at \$3.9b.

"We are encouraged by the passing of the \$1.2tr infrastructure package by the United States Congress, which significantly increases the commitment to future infrastructure investment in the US", the company said in its statement. "We believe that this positive demand backdrop, together with the strength and resilience of our business model, leaves us well positioned to deliver further growth and value creation for all of our stakeholders".

We note that management is now expecting to deliver another record performance on a group level, forecasting for a full-year EBITDA above \$5.25b.

We reaffirm our buy rating on the stock, with our same target price of €50. This would represent a potential 15%+ upside from last night's closing price of €43.52. From a valuation standpoint, the shares currently trade on an affordable forward-looking PE of 16.1 times and a TTM P/E of 25.2x. CRH is also returning about \$2b to investors through both buybacks and dividends (robust 2.3% dividend yield with stable payout ratio of 61%), and investing a further \$2b in growth opportunities. We believe this combination of cash generation and reinvestment makes for a strong investment proposition in a company with a solid track record on both sides of the Atlantic.

Powell Renominated

Some slight volatility has returned to markets last night and into this morning after US President Biden's decision to reappoint the current Fed Chair Jerome Powell for another four-year term in charge of the world's most influential central bank. The nomination has been seen by many investors as a sign that Biden approves of a more hawkish Federal Reserve as we enter 2022 and as the US continues to deal with multi-decade high inflation results.

The alternative to Powell would have been to appoint Fed official Lael Brainard, and would likely have been taken by markets as a sign that Biden would favour a slightly more dovish Fed. Brainard, however, was nominated as vice-chair of the central bank, and opened her remarks yesterday by saying that "getting inflation down at a time when people are focused on their jobs and how far their pay cheques will go" will be central to her role if she was confirmed by the Senate.

Irish Consumer Confidence

The release of the KBC consumer confidence survey result today shows that sentiment in Ireland has fallen to a seven-month low as the virus continues to spread. The reading came in at 83.1 for the current month, down from October's 86.8, this being the biggest monthly fall since January and brings the index to its lowest levels since April.

The report states that rising energy costs and renewed Brexit concerns have also weighed on consumer sentiment across the country. KBC have pointed to the fact that while the index came in lower this month, the drop is modest when compared to the falls seen across much of Europe. Likewise, US sentiment showed an unexpected decline in sentiment to 10-year lows earlier this month.