

Friday, 16th August 2019

Morning Round Up

Tariffs headlines continue to drive volatility this week

Trade headlines have continued to drive volatility in the market this week. The initial pessimism following Trump's imposition of 10% tariffs on the remaining \$300bn worth of Chinese imports was somewhat alleviated earlier in the week when the US president retreated by extending the deadline to December for numerous goods. For the Chinese this is a clear sign of weakness by Trump, who added to extension to ensure there was minimal effect for US citizens in the lead up to Christmas. Fortunately for the state controlled China, the government does not have to be concerned with these forms of issues, elections or an independent central bank. The Chinese government responded to the 10% tariffs by stating it "had no choice but to take the necessary measures to retaliate" and by letting its currency, the renminbi, break the 7 mark. At present, the situation remains as unclear as ever. Trump has attempted to cool the situation by stating that he will have a call with President Xi "soon". Both sides are still set to meet by the end of September. While both countries' economies (along with the rest of the world) are adversely affected by the dispute, it is becoming clear that China will likely gain the upper hand, particularly given the US election next year.

HeidelbergCement posts strong results

HeidelbergCement posted a strong set of results this morning, up 0.88% in early trading. The group reported revenues of €9.2bn in H1, resulting in like for like (LFL) growth of 7%. Volumes in ready mix concrete and asphalt were particularly strong at 6% and 7% respectively, while cement volumes were marginally down and aggregate volumes flat. Results before depreciation and amortisation were up 6% LFL to €1.4bn. Profitability improved with margins increasing to 15.7%. Management maintains a confident outlook in H2 and maintained guidance. It expects volume growth across its core products, while also highlighting lower energy costs in comparison to the previous period. This is a positive read through for CRH, which reports next Thursday. After a strong Q1, this morning's result points to a strong H1 for CRH. We expect management to announce a fresh round of buybacks as management continues to focus on capital management. We continue to retain a cautious outlook for CRH on the back of Brexit concerns and recommend clients reduce exposure.

Heidelberg Cement one year stock price



Source: Bloomberg, CF Research August 2019

Key Upcoming Events

21/08/2019 FOMC Minutes
01/09/2019 US China Tariff increase
06/09/2019 US Nonfarm payrolls

Market View

US markets paired early losses as investor's positivity toward trade improved. The trade outlook improved as the Chinese indicated they were looking to move forward with negotiations in September. Positive sentiments continued into Asian trading overnight and Europe followed opening positive this morning. Yields continue to move lower as central banks turn on the monetary stimulus tap, with the Mexican Central Bank reduced its headline rate by 25bps yesterday. The US yield curve inverted, as the 2s10s spread fell to -1bps but finished the day at 2.5bps. On the data front we will be watching European trade data and US housing data later this afternoon.

Market Moves

| | Value | Change | % Change | % Change YTD |
|-----------|-------|---------|----------|--------------|
| Dow Jones | 25479 | -800.49 | -3.05% | 9.23% |
| S&P | 2841 | -85.72 | -2.93% | 13.31% |
| Nasdaq | 7774 | -242.42 | -3.02% | 17.16% |

| | | | | |
|-----------|-------|---------|--------|--------|
| Nikkei | 20406 | -249.48 | -1.21% | 1.95% |
| Hang Seng | 25495 | 193.18 | 0.76% | -1.36% |

| | | | | |
|-----------|-------|-------|--------|--------|
| Brent Oil | 58.67 | -0.81 | -1.36% | 9.05% |
| WTI Oil | 54.7 | -0.53 | -0.96% | 20.46% |
| Gold | 1518 | 1.45 | 0.10% | 18.35% |

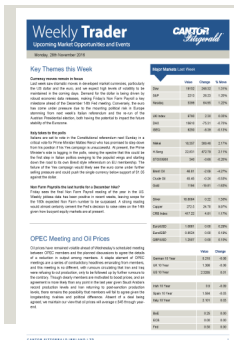
| | | | | |
|------|-------|-------|--------|--------|
| €/\$ | 58.67 | -0.81 | -1.36% | 9.05% |
| €/£ | 54.7 | -0.53 | -0.96% | 20.46% |
| £/\$ | 1518 | 1.45 | 0.10% | 18.35% |

| | Yield | Change |
|----------------|--------|--------|
| German 10 Year | -0.664 | -0.01 |
| UK 10 Year | 0.447 | 0.00 |
| US 10 Year | 1.5691 | -0.01 |

| | | |
|---------------|--------|--------|
| Irish 10 Year | -0.085 | 0.00 |
| Spain 10 Year | 0.143 | 0.00 |
| Italy 10 Year | 1.51 | 0.0020 |

Source: Bloomberg, CF Research August 2019

Cantor Publications & Resources



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Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3633.

email : ireland@cantor.com web : www.cantorfitzgerald.ie



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