

Weekly Market Review

Financial Headlines

United States

The big news out of the US last week was the Federal Reserve rate decision, however it was not surprising news to investors. The Fed raised rates by a quarter of a percentage point, meaning US interest rates are now at a 22 year high. There was unanimous support for the rate rise, which leaves the target range for rates in the US between 5.25 and 5.5 per cent. However, even with rates at decade long highs Jerome Powell, the chair of the Fed, stated in his press conference after the announcement that it's possible rates could be increased at the next meeting depending on the data, however he also stated that rates could hold steady at the next meeting. The aggressive tightening cycle that the Fed commenced last year is beginning to bear fruits, as US inflation fell to an annual rate of 3 per cent in June. The targeted rate for inflation in the US is 2 per cent.

Europe & UK

In Europe last week, the European Central Bank followed its US counterpart and raised interest rates by a quarter of a percentage points. The move was expected by investors and is now the ninth consecutive hike over the past year, in which time EU interest rates have increased by 4 per cent. In her press conference after the rate rise, ECB president Christine Lagarde stated that while inflation has continued to decline, it is still expected to remain too high for too long. She also said that the manufacturing sector outlook in the EU has weakened as a result of the inflationary cycle, however the services industry has remained robust. The labour market in the EU also remains robust, according to Lagarde, with unemployment in the EU at a historical low of 6.5 per cent in May.

Ireland

In Ireland last week, the Cabinet announced the construction of five new electricity interconnectors to various European neighbors. The aim of this project is to start boosting the interconnection capacity of Ireland, so that in future years the country will be able to begin exporting electricity generated from renewable means such as wind. The project also aims to reduce Irelands reliance on a small number of partners to import energy from when there is a shortfall in energy production within the country itself. The plan will see an additional interconnector built to Britain, as well as consideration for a second interconnector to France, as well as linking Spain, Belgium, and the Netherlands. Currently Ireland has one interconnector linked to Britain, with a second one being built currently between Wexford and Pembrokeshire in Wales. The Celtic Interconnector, due to be operational in 2027, will link Cork to France.

Asia-Pacific

Samsung unveiled its latest new foldable phone last week, as they hope to regain ground lost in the luxury smartphone market. The new phones are an attempt to steer business away from the Apple ecosystem of phones and into theirs. The phones, Flip and Fold, will retail for \$999 and \$1,799 respectively.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,582.23	1.00%	16.54%
NASDAQ	14,316.66	1.98%	27.45%
EuroStoxx	4,467.55	1.70%	13.69%
FTSE	7,694.27	0.40%	1.82%
ISEQ	9,036.01	1.18%	21.33%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	↑	+0.25
ECB	4.25%	↑	+0.25
BOE	5.00%	↑	+0.50

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	3.957	3.03%	1.97%
US 2YR	4.885	0.80%	9.40%
German 10YR	2.4625	0.93%	0.79%
UK 10YR	4.3735	1.39%	16.47%
Irish 10YR	2.882	0.69%	-3.50%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.1016	-0.99%	4.48%
EUR/GBP	0.8574	-1.10%	-3.22%
GBP/USD	1.2854	0.00%	6.29%

Equities

Equity indices in the US last week were positive last week with a glut of earnings reports. The S&P 500 had a positive start to the week, as investors prepared for another round of earnings and the prospect of the Federal Reserve meeting on Wednesday. The S&P 500 rose as the big tech results rolled in, with Alphabet helping to propel the index higher. There has also been a surge in retail investing in recent weeks, with retail investors pouring in \$1.27 billion per day into US equities in July. As the week drew to a close much of the positive gains were wiped away, mainly due to the decision by the Bank of Japan to ease controls on the Government bond market. US indices did recover from this after a positive performance on Friday, with the S&P 500 and the NASDAQ finishing the week higher. In Europe, indices were also positive up until the Bank of Japan decision. The Stoxx Europe 600 hit its highest level in almost a year on Thursday before falling on Friday.

In corporate earnings last week, some of the world's largest companies released their earnings reports. Microsoft and Alphabet, Googles parent company, both released earnings on Tuesday. Both companies performed positively, with Microsoft reporting revenues of \$56.2bn in Q2, helped by solid performances in their cloud computing software Azure. Azure's revenue has climbed to \$111bn for the fiscal year that ended in June. Meanwhile, Alphabet also posted positive returns, helped by a resurgence in digital advertising on its Google search engine. Alphabets revenue for Q2 stood at \$74.6bn. Later in week, Meta announced its Q2 earnings with positive results. The owner of Facebook announced its first double-digit revenue growth since 2021, helped by investments in AI and workplace layoffs. Metas expected revenue for Q2 are stated to be between \$32bn and \$34.5bn. Finally, in Ireland Allied Irish Bank posted its earnings last Friday, raising its full year guidance for the second time in three months after doubling its first half profits and gaining an influx of new customers.

Bonds

Bond yields in general last week had a muted beginning to the week, before rallying late last week as the Federal Reserve and ECB both raised interest rates as expected. In Japan, the Bank of Japan eased the controls on the government bond market, sending the benchmark Japanese 10-year bond yield soaring to its highest level in nine years.

Commodities

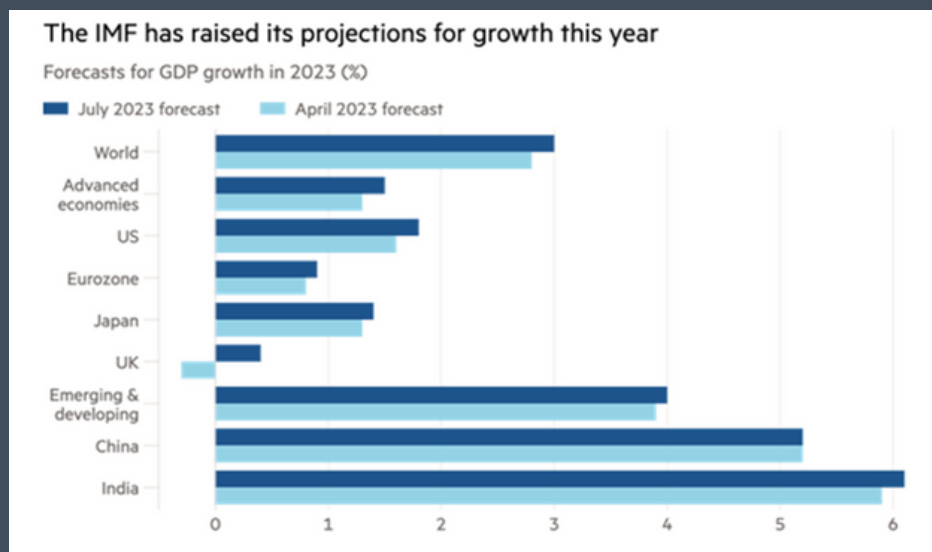
In commodity markets, Gold had a muted week up until the Fed and ECB rate decisions, sending the metal down to its largest one day loss since late June. As interest rates rise the cost of holding a gold bullion increase. As a result, Gold closed the week down, closing at a price of \$1,958.85. In Oil markets, it was a fifth straight week of gains, as sentiment grows that central banks tightening cycles are nearing an end, boosting global growth. Supply cuts from OPEC+ also helped the benchmark Brent Crude and WTI record another positive week. Brent Crude closed at \$84.29, while WTI closed at \$80.67.

Key Events

- 31/07/2023 - Eurozone CPI inflation
- 03/08/2023 - BOE rate decision



Chart of the Week



This weeks Chart of the week highlights how the IMF has raised its projections for growth this year. This chart indicates how the global economy, despite all the challenges of the last six months, is still set to avoid a "hard landing" and see growth in many areas. You can read the full article on our website by clicking the link below.

<https://seasprayprivate.ie/world-economic-outlook/>