

# Weekly Investment Review

## Financial Headlines

### United States

Meta Chief executive and founder of Facebook Mark Zuckerberg last week launched Threads, a direct competitor to Elon Musk's Twitter. Zuckerberg, in his first post from his own account on the text-based conversation app, said that Threads had signed up 10 million people in the first seven hours since its launch. He has also marketed Threads as a more wholesome and friendly alternative to Twitter, which has suffered multiple crises and controversies since Musk's takeover. Threads will link directly to a user's Instagram account, meaning one can bring across existing usernames and followers from Instagram. The app has been launched in 100 countries for iOS and Android, however it has yet to be launched in Europe.

### Europe & UK

The price of housing in the UK fell by 2.6 per cent, the fastest annual rate since 2011, as the rise in mortgages due to higher interest rates hits markets. This is after a previous drop of 1.1 per cent in May of this year, meaning the price of housing is down a total of 3.7 per cent over the past two months. However, while the price of existing housing was down, the price of new builds was up 1.9 per cent annually. The steepest fall in housing prices was in the South of England, with house prices down on average about £15,000 over the past year. With further rises likely to come from the Bank of England, this drop in prices is likely to continue.

### Ireland

In Ireland last week, the Summer Economic Statement was published. The document in essence sets out what will be included in the upcoming budget for 2024. Some of the key takeaways from the SES were that the Irish Government plans to provide for core spending of €91.2bn, increasing core spending by 6.1% next year. The budgetary strategy would be conducive with a government surplus of €11.7 billion in 2024. Another takeaway from the statement was that Ireland's employment level is now 11.5% higher than before the COVID-19 pandemic began, equating to 2.6 million people in employment. This means that the unemployment level is now at its lowest rate ever.

### Asia-Pacific

In Asia last week, news came out of India that the country's richest man Mukesh Ambani is launching a new internet connected mobile phone that will cost the equivalent of \$12. The phone will have no smartphone features, and will be similar to older Nokia phones used before the introduction of smartphone technology. Some 250mn people in India use non smartphone 'feature' phones in India, and according to Ambani they remain "trapped in the 2G era, unable to tap into basic features of the internet." Jio, the company producing the phone, have launched phones like this in the past and Alphabet, the parent company of Google, bought a 7.7 per cent stake in Jio in 2020 along with Meta, who bought a 10 per cent stake.

## Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,398.95	-1.17%	13.07%
NASDAQ	13,660.72	-0.93%	23.96%
EuroStoxx	4,236.60	-3.84%	8.98%
FTSE	7,256.94	-3.78%	-4.09%
ISEQ	8,471.96	-2.96%	16.09%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.25%	↔	0
ECB	4%	↑	+0.25
BOE	5.00%	↑	+0.50

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.066	5.53%	4.60%
US 2YR	4.95	0.93%	10.59%
German 10YR	2.6355	9.20%	7.30%
UK 10YR	4.698	5.70%	22.24%
Irish 10YR	3.055	7.95%	2.36%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0967	0.52%	4.06%
EUR/GBP	0.8543	0.02%	-3.59%
GBP/USD	1.2836	1.11%	6.16%

## Equities

US Equities began last week slightly higher as Tesla closed last Monday up over 6%, however the rally was short lived due to a larger than expected contraction in manufacturing in the United States. As the week progressed, equities fell as the Federal Reserves minutes from last months meeting were released on Wednesday afternoon. The minutes pointed towards increasing interest rates at the next meeting of the Fed. The Vix volatility index rose 0.7 percentage points on Thursday, back to a level of 15, its highest point since late May. Later in the week, indices fell further after the US jobs data was released on Thursday. The data from the ADP private payroll showed that in June, there were 497,000 jobs created, almost double the expected figure of 228,000. This figure caused more angst among investors, as it pointed to more rate hikes by the Fed to cool the economy. Friday also saw the main non-farm payrolls job report, which saw the US economy add 209,000, lower then expected. This is a sign that the Feds rate hikes are having an effect. By close of business on Friday, the S&P 500 was down to a level of 4,398.95, and the NASDAQ was also down, ending the week at 13,660.72.

In Europe stocks were also impacted by the Fed minutes, with the FTSE 100 hitting its lowest level since March on Wednesday. The FTSE is lagging far behind its regional peers in terms of year to date growth. Indices closed lower across Europe on Friday, with the Euro Stoxx 50 closing at 4,236.60, while the FTSE 100 closed at 7,256.94. Finally in Ireland the ISEQ closed at 8,471.96.

## Bonds

In Bonds last week, yields in the US surged after the Federal Reserve released its minutes. With the expectation of increased interest rates, yields on two-year US Treasury bonds hit their highest point since the banking crisis of SVB/First Republic back in March. Yields increased even further on Thursday after the ADP private payroll data. US 2-year yields reached their highest level since 2007, climbing to over 5% on Thursday. US 10 year yields also climbed above 4% on Friday. The US 10 Year closed at a yield of 4.066%, with the 2 year bond closing at a yield of 4.95%.

In Europe, with yields in the UK surging, the UK paid the highest borrowing cost on two year debt so far this century, with the sale on Wednesday last of £4bn in gilts. A gilt maturing in October 2025 was priced at a yield of 5.668%.

## Commodities

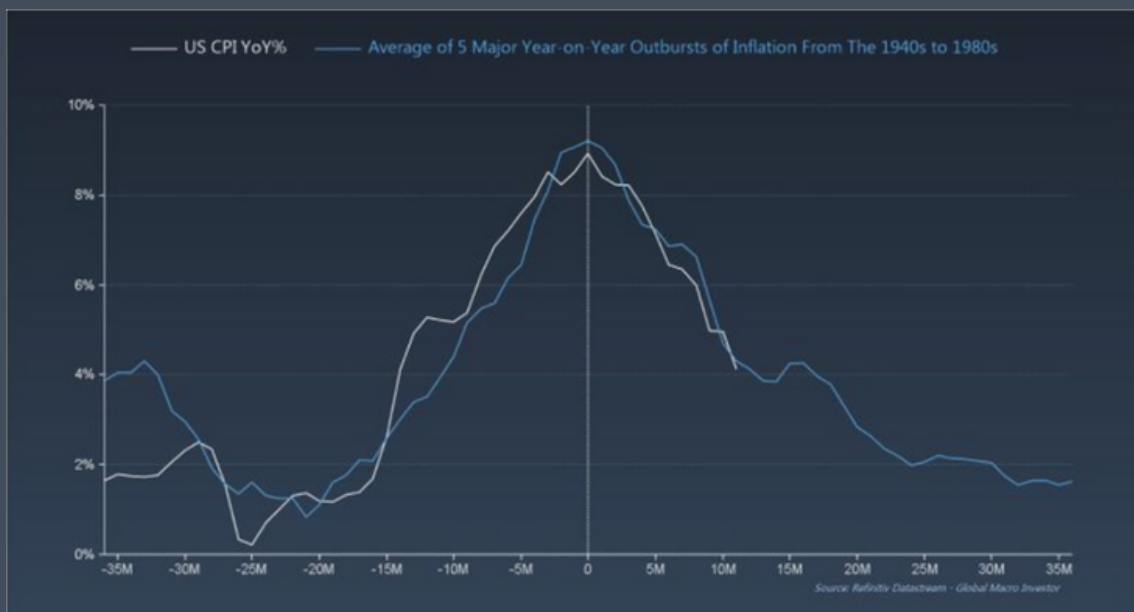
In the commodities market, Gold was impacted by the fear of further interest rate hikes from the Feds minutes, and the strong ADP jobs data. However after the poorer then expected non farm payrolls on Friday, its began to climb back, settling at a price of \$1,930.50. In Oil markets, both Brent and WTI were on course for positive weeks on Friday, even after the fears of recession and further rate hikes. WTI finished the week at \$73.71, while Brent Crude closed at £78.17.

## Key Events

- 11/07/2023 - UK's job data
- 12/07/2023 - US CPI Inflation



## Chart of the Week



This weeks Chart of the Week examines the relationship between inflation and equity cycles. The below chart highlights the US headline CPI (in white) which is now down to 4.0%. The blue line indicates the average of five major year-over-year inflation outbursts from 1940-80. What this chart shows is that our current inflation cycle is on the same course as previous cycles, signaling we could hit the Feds 2% inflation goal next year.

<https://seasprayprivate.ie/the-relationship-between-inflation-and-equity-cycles/>