

Weekly Investment Review

Financial Headlines

United States

In the wake of the debt ceiling agreement, the US Treasury department has begun to rebuild its cash reserves, which were recently at their lowest level since 2017. JP Morgan has estimated that between now and the end of 2023 the Treasury will need to borrow \$1.1tn in short dated Treasury Bills, as well as \$850bn in net bill issuance over the next four months. The Treasury Department has stated that it aims to return its cash balances to normal levels by September. There is a fear that this level of issuance could push up yields, pulling cash out of bank deposits.

Europe & UK

In the UK last week, there was positive news for homebuyers as house prices in the UK sustained their first annual drop in more than a decade in May. Average property prices fell by about £3,000 during the last 12 months. This is the first annual drop in house prices in the UK since 2012, however this news was tempered with warnings regarding interest rates. There is an expectation that the Bank of England will raise interest rates to counteract high inflation, which will increase the cost of borrowing money and may reduce affordability. The average rate for new mortgages is at its highest level since 2008, standing at a level of 4.5%.

Ireland

CRH, one of the world's largest construction companies, last week agreed to move its primary stock listing from London to New York. The move will make CRH a truly American company, according to its chief executive Albert Manifold. CRH already employs 43,500 people across the Americas, generating \$20.5 bn in revenue in 2022 from the region. The move aims to help the company cash in on the massive infrastructure plans put forward by the US government, as well as help the company with tax issues when acquiring companies in the Americas. The news will come as a blow to Euronext, the company which owns the Irish stock exchange, as CRH was one of the most heavily traded equities on the exchange. CRH was founded in 1970, as a merger between Cement Limited and Roadstone Limited, two of Ireland's largest public companies at the time.

Asia-Pacific

Last week, China reported its year-on-year inflationary figures. The Consumer Price Index rose 0.2%, up from 0.1% in April. China has kept its interest rate levels low in comparison to other major world economies, however this low inflation figure highlights the challenges faced by the leaders of the world's second largest economy. Economic data across the board has been poor for China in recent weeks, with last week also showing that exports from China fell 7.5% compared to the same period last year. Imports also fell by 4.5% from the same period last year. Much of this poor economic data is the result of the debt laden property sector within China, as well as a more wider global slowdown in trade.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,298.86	+0.38%	+11.04%
NASDAQ	13,259.14	+0.14%	+21.66%
EuroStoxx	4,289.79	-0.79%	+10.11%
FTSE	7,562.36	-0.59%	+0.11%
ISEQ	8,503.43	-0.49%	+16.40%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.25%	↑	0.25
ECB	3.75%	↑	0.25
BOE	4.5%	↑	0.25

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	3.743	+1.20%	-3.63%
US 2YR	4.596	+1.85%	+3.70%
German 10YR	2.3735	+2.80%	-2.93%
UK 10YR	4.2825	+2.98%	+14.70%
Irish 10YR	2.752	-0.07%	-8.39%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0747	+0.38%	+2.09%
EUR/GBP	0.8548	-0.58%	-3.53%
GBP/USD	1.2569	+0.96%	+4.17%

Equities

Equities had a mixed to positive week. After the resolution of the debt ceiling issue, US equities had experienced a positive uplift, which caused the S&P 500 to reach a technical bull market territory. Equities in the US had a positive early week on the back of Apples mixed reality headset announcement, along with positive gains in the financial and consumer discretionary sector on Tuesday. As the week progressed major indices improved, with reports on Friday stating that earnings per share of S&P 500 companies was about flat in the first quarter, a major improvement from where analysts had forecasted EPS to be. In April there was a forecasted 5.1% drop in EPS, while the figures now seem to be an average increase of 0.03%. On Friday, the S&P closed at 4,298.86, while the NASDAQ closed at 13,259.14.

In Europe, markets were hit mid-week on the back of poor economic data from Germany, the blocs largest economy, as well as comments from the ECB president Christine Lagarde that pricing pressures were still strong in Europe. There is an expectation for a rate rise at next weeks meeting. Later in the week, equity indices in Europe fell as the poor economic news from China pulled indices down. As a result, the major EU indices finished the week lower. The Eurostoxx 50 finished at 4,289.79, while the FTSE finished at 7,562.36. In Germany the DAX finished at 15,949.84. Finally, the ISEQ closed at 8,503.43.

Bonds

World bond yields endured a relatively positive showing last week, due mainly to the Australian and Canadian Central bank rate rises, which came as a shock to some. US Yields also benefitted from a weakened dollar last week, before retreating slightly as the week commenced on Friday. The US 10 year finished the week at a yield of 3.743, while the US 2 year finished at 4.596. In Europe, the UK 10 year yield finished the week higher, closing at a rate of 4.2825, while the German 10 year closed at 2.3735.

Commodities

Commodities for the most part had a positive showing. Oil prices steadied midweek as a result of the news that Saudi Arabia would cut its oil production by 1 million barrels per day in July. This move is part of the gulf states move to boost Oil prices which have been floundering for some time. Along with this news, there is growing sentiment that the Federal Reserve will not raise interest rates next week, which have helped to stabilise the price. Crude Oil WTI finished the week at \$70.35, while Brent Crude finished the week at \$75.04.

In other commodities, Gold had a turbulent week by finished almost flat, after investors began to bet on whether the Fed would pause its interest rate hikes. Throughout the week Gold had fluctuated between two-month lows on Thursday of \$1,940 and highs of almost \$2,000. Gold finished the week at a price of \$1,975.90.

Key Events

- 13/06/2023 - US CPI
- 14/06/2023 - Fed Rate Decision
- 15/06/2023 - ECB Rate Decision



Chart of the Week

This weeks Chart highlights the long term effects that Artificial Intelligence could have on the S&P 500's fair value. Overall, the consensus is that AI adoption could boost the fair value of the S&P 500 by 9% over the next 20 years.

<https://seasprayprivate.ie/estimated-effect-of-artificial-intelligence-ai-adoption-on-the-future-performance-of-the-sp-500/>

