SEASPRAY PRIVATE
Creating Investment Solutions

Monday
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Weekly Investment Review

Financial Headlines

United States

Last week, despite the turmoil which has gripped the US banking sector over the previous two months, US banks reported record first quarter profits of $80bn. This is despite the closure of Silicon Valley and First Republic banks. Banks in the US benefitted from rising interest rates, as well as positive jobs data. In terms of numbers, only 197 of the nations 4,400 banks suffered loses in the first quarter of 2023. This equates to about 5% of the total number of banks. JP Morgan Chase, the largest bank in the country recorded a first quarter profit of $11.7bn, which was up from $6.4bn in the same quarter from 2022.

US Inflation eased to a rate of 4.9% in April, as the interest rate rises implemented by the Federal Reserve begin to take hold on the US economy. The figure was marginally lower then the projected 5% inflation figure, with reductions in transport costs for consumers, along with prices for new vehicles helping to bring the core figure down below 5%. However, inflation grew 4.4% month over month in the used car and truck market.

Europe & UK

Last week the Bank of England followed its counterparts in the US and Europe by increasing interest rates by 0.25 basis points, to a level of 4.5%. The rate hike had been expected, as the UK has seen the highest rate of inflation within the main Eurozone economies at 9.2%. The Bank of England noted in its press release after the rise that inflation may not reached the desired level of below 2% until 2025, while also stating that the UK economy may now avoid a recession in 2023. It is expected that by the end of 2023 the BoE will have raised interest rates to a level of 5%.

Ireland

Last week Irelands Minster for Finance Michael McGrath announced plans for a sovereign wealth fund. The plan has been heavily influenced by wealth funds in countries such as Norway and Japan. The fund would be managed by the National Treasury Management Agency (NTMA) and would be used to invest across a wide range of areas. The proposal comes as corporate tax receipts reach their highest level, as well as an estimated budget surplus of €65 billion between now and 2025. The wealth fund could be an alternative to relying on corporate tax receipts, which can be highly volatile and with which the state has relied on heavily in recent years.

Asia-Pacific

Toyota, the worlds largest carmaker, has announced it will be making a concerted effort to increase its electric vehicle sales in China, after the carmaker announced that annual operating profit would be 10% higher this year, equating to $22bn or ¥3 trillion. The easing of supply chains, in particular semiconductors, has resulted in an increase in production for Toyota, who now aim to sell a record 11.4 million cars in the fiscal year up to March 2024.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,124.08	-0.30%	+7.27%
NASDAQ	13,340.17	+0.61%	+22.14%
EuroStoxx	4,317.88	-0.54%	+10.69%
FTSE	7,754.62	-0.31%	+2.59%
ISEQ	8,545.40	+1.74%	16.81%

Interest Rate	Current Rate	Direction	Change
FED	5.00%	↑	+0.25%
ECB	3.75%	↑	+0.25%
BOE	4.5%	↑	+0.25%

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	3.463	+0.81%	-12.01%
US 2YR	3.9914	+1.84%	-10.88%
German 10YR	2.266	-0.24%	+4.15%
UK 10YR	3.811	+0.25%	-7.81%
Irish 10YR	2.764	+0.98%	-7.92%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0848	-1.57%	+3.01%
EUR/GBP	0.8706	-0.18%	-1.65%
GBP/USD	1.2634	-1.42%	+3.31%

Asset Class Review

Equities
Last week equities had a mixed week, as poor company earnings reports pushed indices lower as the week drew to a close. In the US, the S&P 500 suffered midweek due to corporate earnings from Disney, however US economic data also hampered the index later in the week. The Nasdaq was propped up by Google leading a tech based rally and finished the week up. In Europe, the Eurostoxx 50 finished the week marginally lower, in a quite muted week in Europe apart from the Bank of England interest rate hike. The FTSE 100 rebounded on Friday after the BoE hike on Thursday, and finished the week just lower then its started the week. Finally in Ireland, the ISEQ finished the week higher, helped by the Irish Government plans to create a Sovereign Wealth Fund.

In terms of corporate earnings, some of the big names were PayPal and Disney. PayPal, while posting positive overall revenues of \$7.04bn up from a forecasted 6.98bn, stated last Monday that it would be adjusting its annual adjusted operating margin, which caused shares in the company to drop by 12% last Tuesday alone. Disney also had its earnings call last week, with its shares falling due to a lower then expected subscriber count to its Disney+ platform of 157.8 million.

Bonds
Bond yields finished higher last week on both sides of the Atlantic, as investors weighed up the recent US economic data, while also waiting to see on the US Debt Ceiling debate which has continued this week. The yield on the US 10 year bond finished the week at 3.463% , while the 2 year bond finished at 3.9914%. In Europe, bond yields fell in the wake of the Bank of England rate hike, with some recovering on Friday. The UK 10 year finished the week at 3.811%, while the German 10 Year was lower at 2.266%.

Commodities
Commodities had a poor week overall, hampered by issues such as the US debt ceiling debate, as well as the usual inflationary and recessionary fears. Oil closed the week lower, after US Labour and Chinese inflationary data pushed the fossil fuel lower. US jobless claims increased by 22,000 to 264,000, which is the highest level since October 2021, while in China the CPI for the country rose by just 0.1% Year-on-Year in April, highlighting potential weaknesses in consumer demand. All this contributed to Oil finishing the week lower, with Brent Crude finishing at \$74.17, while Crude Oil WTI finished at \$70.04.

Gold also suffered this week as investors reflected on poor US economic data, however that did not stop the metal from dropping below \$2,000 an ounce as it remains as safe haven for investors. Gold finished the week at \$2019.80.

Key Events
- 12/05/2023 – US Consumer Sentiment
- 15/05/2023 – EU Economic Forecasts
- 16/05/2023 – UK Jobs Data
- 16/05/2023 – US Retail Sales

Chart of the Week

This weeks Chart highlights the resilience of the S&P, and the importance of patience in financial markets. The chart indicates how the S&P 500 is currently at the same level as it was both in 2022 and in 2021. To put that into context, since May 2021 the world has seen decades high inflation, the invasion of Ukraine by Russia, as well as a banking crisis in the US. Despite these impacts, the market has remained unchanged.

Link to article on our website: https://seasprayprivate.ie/patience-the-key-to-successful-investing-over-the-long-term/