

Weekly Investment Review

Financial Headlines

United States

In the US last week, major tech companies such as Google, Meta and Microsoft met with the White House in order to commit to safety and transparency in the development of Artificial Intelligence. These commitments will focus on the testing of AI technologies as well as a pledge to share information openly about how these firms will mitigate against any potential risks posed by AI. These commitments come as the White House under the Biden administration look to create a policy and strategy with regards to the development of AI systems. These commitments form a "critical step toward developing responsible AI" said the White House.

Europe & UK

In the UK last week inflation fell to 7.9 per cent in June, its biggest drop in 15 months. This was a bigger than expected drop, with annual inflation down from 8.7 per cent in May. While headline inflation fell by almost one percent, core inflation, which strips out volatile food, drinks and energy prices fell by 0.2 per cent to a level of 6.9 per cent. Core inflation had reached a level of 7.1 per cent, its highest level in 31 years. The data shows that the Bank of England tightening policy is beginning to take effect, and is welcome news to Rishi Sunak's government, who have struggled to keep spiralling inflation under control. However, the UK is still far ahead of its regional and international partners when it comes to inflation levels. The US is currently at a level of three per cent, while the Eurozone is currently at a level of five and a half per cent.

Ireland

Bord na Móna have announced that a new solar farm is under construction in Timahoe North, County Kildare. This is part of a wider climate strategy and joint venture between Bord na Móna and the Electricity Supply Board, or ESB. The construction of the solar farm will be undertaken by Voltalia, an international energy producer and service provider. When completed, the solar farm will be able to yield up to 108MW of renewable energy. This is enough to power 25,000 homes, or equivalent to the entirety of the town of Newbridge, County Kildare. This is just one of four solar farms which Bord na Móna and the ESB have agreed to build. These farms will be located in the counties of Kildare, Roscommon and Offaly. According to the ESB, they intend to invest €200mn over the next two years in the first phase of their solar roll out. The aim is to achieve Net Zero emissions by 2040.

Asia-Pacific

In Asia, Japanese inflation rose to a level of 3.3 per cent, rising above the US' latest figure of 3 per cent. This is the first time Japanese inflation has outpaced the US inflation figure in eight years and highlights how price pressures are not isolated to western economies. The figure will put pressure on the Japanese Central Bank, who are now the only central bank in the world with negative interest rates.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,536.34	0.68%	15.70%
NASDAQ	14,032.80	-0.58%	25.98%
EuroStoxx	4,391.45	-0.20%	12.19%
FTSE	7,663.73	2.99%	1.43%
ISEQ	8,929.18	0.42%	20.39%

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	3.837	0.18%	-1.09%
US 2YR	4.846	1.61%	8.67%
German 10YR	2.4395	-1.54%	-0.14%
UK 10YR	4.3125	-3.12%	15.29%
Irish 10YR	2.862	-2.24%	-4.23%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.1125	-0.92%	5.42%
EUR/GBP	0.8668	1.08%	-2.10%
GBP/USD	1.2854	-1.80%	6.29%

Equities

US equity indices had a mixed week. This was due mainly to mostly positive earnings across most industries. Banking stocks helped push the S&P 500 higher as the week began, and while some earnings cooled this rally, the index was positive as the week began to end. Credit Suisse on Tuesday last also upped the S&P's year end forecast to 4,700. The index closed last Friday at a level of 4,536.34. The NASDAQ was slightly lower, on the back of poor tech earnings, closing at a level of 14,032.80. In Europe, there was mixed results. The Eurostoxx 50 index had a poor week, with a sell off due to the poor earnings of tech giants Tesla and Netflix. Meanwhile, the FTSE 100 had a positive week overall, helped in part by Ocado's positive earnings, along with better than expected retail sales data for June.

Earnings season is back, and this week there was a mix of results. Early in the week, US banking giants Morgan Stanley and Bank of America reported quarterly returns. Positive sentiment from Morgan Stanley and better second quarter profits from BoA boosted banking stocks. Tesla reported poorer than expected profit margins, due mainly to the price cuts implemented across its model range. Netflix also performed poorly, missing its sales estimate, and posting lower than expected revenues. Goldman Sachs also posted poor earnings, with quarterly profits hitting its lowest point in three years as a slowdown in investment banking has hampered the banks performance. European earnings were mostly positive, with online retailer Ocado shares jumping 19 per cent last Tuesday due to good progression with its retail division.

Bonds

Bond market yields initially rallied last week, however as the week progressed yields retreated before making another surge on Friday. This surge was as a result of poor tech earnings which cooled global equity indices. In the US, two-year bond yields were positive as Friday ended, while the ten year yield also closed higher, after spiking on Thursday.

European Bond markets were flat to slightly lower last week, with the UK ten Year bond yield closing at 4.3125%, while the German ten year yield closed at 2.4395%. Finally the Irish ten year yield closed at 2.862%.

Commodities

In commodity markets, Gold had a positive week up to Friday, as investors bet that the Federal Reserve was close to ending its rate hike cycle. Gold bullions become more expensive to hold as interest rates rise. However, a sell off on Friday afternoon meant Gold closed the week lower, breaking a two week rally. Gold spot prices closed at \$1,963.90. In Oil markets, with reports of record imports of crude oil to China and India from Russia in June, the price of Brent Crude and WTI increased last week. With an increasing supply deficit in China specifically, the price of crude oil could continue to rise. US crude inventories also fell on the back of increased exports. As of Friday, Brent crude was at a price of \$80.89, while WTI was at \$76.83.

Key Events

- 24/07/2023 – European and US PMI's
- 26/07/2023 – Fed rate decision
- 27/07/2023 – ECB rate decision



Podcast of the Week

Seaspray Private
MAKING WAVES

Seaspray Private are delighted to announce the third installment of our Making Waves Podcast has been released on all streaming and podcasting platforms. You can click the link below which will bring you to our Podcast page.

<https://seasprayprivate.ie/making-waves-podcast/>