SEASPRAY PRIVATE
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Monday
04.09.2023

Weekly Market Review

Financial Headlines

United States

Last week in the US, a slew of economic data was released, and the results exemplified how higher interest rates are influencing the US economy. Consumer sentiment figures were released last Tuesday, and were below estimates, highlighting the fact that the US consumer is more concerned about the state of the US economy. Along with this, jobs data was released for July. Job openings in the US fell to their lowest level in two years in July, with 8.8mn vacancies. This is down from 9.2mn vacancies in June. US GDP growth for the second quarter was also lower than anticipated, coming in at a rate of 2.1 per cent. This was revised down from a rate of 2.4 per cent last month. All this data appears to show signs that the US economy is cooling after an aggressive rate hike cycle by the Federal Reserve.

Europe & UK

The EU is on course to import record levels of liquified natural gas from Russia this year, despite the current geopolitical climate and talks of breaking away from Russia as a supplier. Belgium and Spain were ranked second and third behind China as having imported the most LNG from Russia so far this year. Russia is now the second biggest supplier of LNG to Europe so far in 2023, behind only the US. Imports of the gas are up 40 per cent between January and June of this year, in comparison to the same period in 2021. The market price of these LNG imports to Europe in 2023 amount to €5.29bn. The news highlights the reliance of some European nations on Russian energy, and further highlights the need for alternatives, as Russia could cut off the supply of LNG as it did last year for piped gas.

Ireland

In positive news for Irish savers, Bank of Ireland, Permanent TSB and AIB all announced last week increases in deposit rates across their respective range of accounts. Bank of Ireland will raise rates on its SuperSaver, MortageSaver and Regular Saver accounts, while PTSB will also increase its Regular Saver products, as well as a suite of fixed term deposit products. AIB has increased rates for its suite of savers accounts. Irish banks have experienced record profits so far this year, thanks to the higher interest rates imposed by the ECB. Bank of Ireland made more than €1bn in profit in the first half of 2023.

Asia-Pacific

China has drastically increased its importation of semiconductor equipment, as it ramps up efforts to produce chips domestically. Between June and July, China imported nearly $5bn worth of chip making products, up 70 per cent year-on-year. One of the reasons for this spike in imports is due to the US led export restrictions on China. These restrictions aim to curb Chinese efforts to develop its semiconductor industry and make it more difficult for China to use this technology for militaristic purposes. China has imported most of this semiconductor equipment from the Netherlands and Japan, however these two countries have recently joined the US in restricting exports to China as well.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,515.77	2.47%	17.61%
NASDAQ	14,031.82	3.19%	34.06%
EuroStoxx	4,281.85	1.07%	12.87%
FTSE	7,464.54	1.70%	0.17%
ISEQ	8,914.15	1.53%	25.40%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	↑	+0.25
ECB	4.25%	↑	+0.25
BOE	5.25%	↑	+0.25

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.181	-1.19%	7.49%
US 2YR	4.876	-4.06%	9.68%
German 10YR	2.544	-0.51%	3.81%
UK 10YR	4.43	-0.27%	19.13%
Irish 10YR	2.916	-1.36%	-2.27%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0776	-0.22%	0.69%
EUR/GBP	0.8558	-0.31%	-3.23%
GBP/USD	1.259	0.10%	4.08%

Asset Class Review

Equities

US Equities began last week on a positive note, with the S&P and NASDAQ up 0.5 percent and 0.7 percent respectively. Tech stocks led with Microsoft and Apple both rising on Monday. Indices were also helped by news that 3M had agreed to pay $5.5bn in damages associated with 330,000 lawsuits linked to faulty earplugs. 3M shares jumped over 6 per cent after the announcement. Tuesday proved to be another positive day in the US. Weak economic data, specifically in the consumer sentiment and labour areas, pushed indices higher as investors bet that the Federal Reserve will pause on hiking interest rates. The S&P 500 recorded its largest one day gain in almost three months as a result. Equities continued to rise on Wednesday, despite the release of poor economic data released on Tuesday. On Friday, August jobs data was released, with 187k new jobs created. The news helped the S&P 500 finish over 2 per cent higher, while the NASDAQ was up over 3 per cent for the week.

In Europe, indices had a positive start last week, similar to their US counterparts. The FTSE 100 was over 1 percent higher on Tuesday as it caught up gains in other EU countries. Tuesday also proved to be a positive session for the FTSE, rising 0.4 per cent. Much of this rise is attributed to markets factoring in a less hawkish approach from Central Banks going forward, as poor economic data from both sides of the Atlantic continue to pile up. Finally, after a positive Friday session the FTSE closed 1.7 per cent higher for the week. EU indices performed similar to the UK and US, with positive gains on Monday and Tuesday. However, there was a slight retreat on Wednesday, caused by the inflation data released in Germany and Spain, with both countries posting increased inflation rates. This has somewhat dented expectations that the ECB will finish its hiking cycle in the short term. At the end of the week, EU indices pushed higher, and closed over 1 per cent higher.

Bonds

Bond yields had another negative week, as weakening economic data and favourable equity indices pushed yields lower. The benchmark US 10 year fell to its lowest level in three weeks, down to a level of 4.1% last Wednesday. US jobs, consumer sentiment and GDP growth were all lower than expected, driving US yields lower.

The UK 10 year Gilt fell to its lowest level in four weeks, this drop fuelled by the belief that Central Banks may hold on raising rates any further. In Europe, German and Irish 10 year yields both had their worst weeks since the beginning of August.

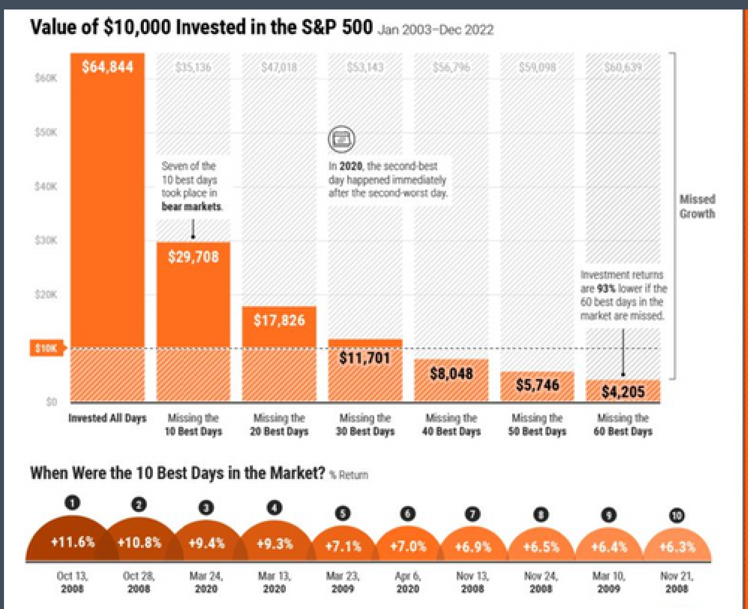
Commodities

In Commodities last week, Oil had a week of positive gains. These gains were assisted by a large drop in US crude oil inventories, as well as expectations that OPEC+ will keep oil supply tighter in the coming months. WTI closed at a price of $85.82, up 7 per cent last week, while Brent Crude closed at $88.99, up 5.3 per cent for the week. In metals, Gold surged midweek, as the US economic data boosted hopes of a pause to rate hikes. By close of business last Friday, Gold was up 1.36 per cent, closing at a value of $1,966.20.

Key Events

- 04/09/2023 - Labor Day (US)
- 07/09/2023 - Eurozone GDP revisions

Chart of the Week



This week's Chart of the Week exemplifies the need for patience when investing in financial markets, and the rewards one earn from long term investing, and more importantly, by staying invested. The chart highlights how missing the best days in the market within the 20 year time frame can severely impact the overall return, and even lead too a loss.

https://seasprayprivate.ie/the-cost-of-timing-the-market/