

Weekly Market Review

Financial Headlines

United States

US inflation rose for the first time since June of last year, as data released on Wednesday last showed consumer prices increased to 3.7 per cent in August. This was up from July's figure of 3.2 per cent. The increase in inflation is predominantly due to a spike in energy prices in the US, particularly in petrol and oil prices which increased by 10.5 per cent over the last month. Oil prices have reached their highest levels since November 2022 in recent weeks, on the back of supply cuts from OPEC+ members Saudi Arabia and Russia. However, while inflation has increased, core inflation which strips out volatile food and energy prices ticked down, falling from 4.7 per cent in July to 4.3 per cent in August. The Federal Reserve is still likely to keep interest rates at their current level at their next meeting this coming Wednesday.

Europe & UK

The big news in Europe last week was the European Central Bank's interest rate decision, which was announced last Thursday. The ECB took what many analysts saw as a cautious step and raised interest rates by 0.25 basis points. In a press release after the rate hike was announced, the ECB stated that the rate hike came after the Governing Council's assessment of the inflation outlook. While inflation has continued to decline, it is still expected to remain too high for too long. This marks the 10th consecutive rate hike for the ECB, and now means that the main refinancing operations rate has reached a 22 year high of 4.5 per cent. However, there may be signs the rate hike cycle has ended, with the press release also stating that current rate levels "will make a substantial contribution to the timely return of inflation to the target" of two per cent.

Ireland

Irish packaging giant Smurfit Kappa last week agreed to merge with WestRock, creating a conglomerate worth nearly \$20 billion. The deal will mean the new company, aptly named Smurfit WestRock, will be the largest listed global packaging company by revenue, with combined revenues totalling almost \$34 billion. The combined company will also be based in Ireland and will have its global headquarters located in Dublin. Shareholders in Smurfit Kappa will receive one new Smurfit WestRock share for every share they own, and Smurfit will own approximately 50.4 per cent of the new company.

Asia-Pacific

In Chinese news, last week the European Commission announced that they will launch an anti-subsidy investigation into the Chinese electric vehicle market, as the Bloc aims to curtail the growth of cheaper Chinese alternatives that have begun to flood the European market. The case is considered to be one of the largest trade cases in history, given the size of the respective markets. The EU Commission and its President Ursula Von der Leyen have been under increased pressure by European car manufacturers to investigate their Chinese counterparts, who have sometimes benefitted from massive state subsidies.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,450.32	-0.16%	+15.91%
NASDAQ	13,708.33	-0.39%	+30.97%
EuroStoxx	4,295.05	+1.37%	+13.25%
FTSE	7,711.38	+3.12%	+3.48%
ISEQ	8,701.42	+0.86%	+22.40%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	↑	+0.25
ECB	4.50%	↑	+0.25
BOE	5.25%	↑	+0.25

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.336	+1.78%	+11.79%
US 2YR	5.037	+0.97%	+13.76%
German 10YR	2.6750	+2.55%	+4.31%
UK 10YR	4.4080	-1.30%	+20.14%
Irish 10YR	3.074	+2.36%	-2.29%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0658	-0.36%	-0.39%
EUR/GBP	0.8606	+0.34%	-2.66%
GBP/USD	1.2379	-0.65%	+2.36%

Equities

US equity markets began last week with a positive Monday session. This rise in equities was primarily helped by increases in tech stocks such as Tesla and Meta. Tesla shares rose over 10 per cent last Monday due to Morgan Stanley announcing the EV car maker could add an additional \$500bn in value due to its supercomputer Dojo opening new avenues for the company. Meta also rose 3 per cent on Monday last after reports stated the company was working on a new AI intelligence model. These increases helped the S&P 500 close 0.67 per cent higher, while the NASDAQ finished 1.14 per cent higher. These gains were reversed on Tuesday however, as higher oil prices and worsening market sentiment drove indices lower. Wednesday saw key US inflation data released, which brought markets down further. On Thursday, US indices closed higher on the back of the ECB rate decision, and strong equity performances, particularly from ARM, whose IPO was the biggest in two years and helped the NASDAQ close 0.8 per cent higher. Friday was a poor day for US indices, as it was the Triple Witching day. This means the expiration of stock options, stock index futures, and stock index option contracts occur on this day. This only happens four times a year. US indices closed lower for the week, with the S&P closing 0.16 per cent down and the NASDAQ down 0.39 per cent. In Europe, equity markets started last week in positive territory. The UK's FTSE 100 closed 0.25 per cent higher on Monday, while the EuroStoxx 50 closed 0.4 per cent higher as investors in Europe braced for the ECB rate decision that was due on Thursday. Tuesday and Wednesday proved to be two poor days in Europe, with the US inflation rates highlighting the job was not over yet when it comes to interest rates. On Thursday, the ECB rate decision was made. UK and EU indices responded positively to the news, with the FTSE closing 2.1 per cent higher on Thursday and the Eurostoxx 50 closing 1.3 per cent higher. Friday was a positive day for UK and EU indices, as the prospect of no further rate hikes, as well as robust economic data from China meant that major indices all closed higher for the week.

Bonds

Bond yields surged at the beginning of last week, on account of the continued belief that interest rates will remain higher for longer to combat unyielding inflation figures. The US 10-year yield reached the 4.3 per cent mark on Monday, approaching the 15 year high of 4.34 per cent seen in August. In the UK, the 10-year Gilt reached 4.5 per cent on Monday last. EU and UK Yields fell in the wake of the ECB announcement on Thursday, however most regained ground on Friday, with US, German and Irish yields finishing the week positively, with only the UK 10-year Gilt finishing in negative territory.

Commodities

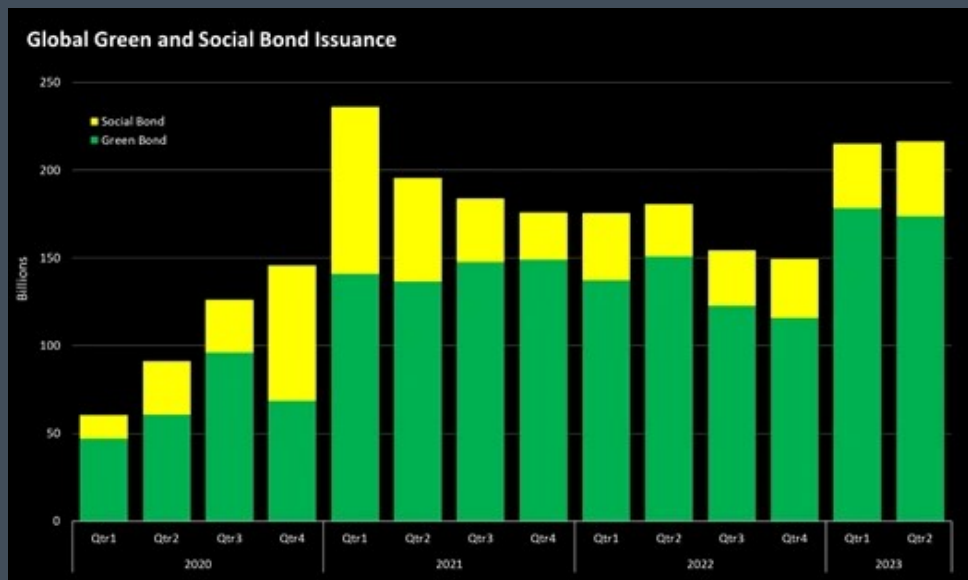
In Commodities, Oil had another strong week of gains last week, with Oil futures hitting their highest levels since November 2022. This uplift in prices was due to OPEC's announcement last Tuesday that global oil demand is expected to increase by 2.25 million barrels a per day in 2024. Brent Crude closed last week at a price of \$94, while WTI closed at a price of \$91. In metals, Gold futures fell last week on account of the ECB rate rise, however positive economic data from China helped stem the tide and pushed the metal up on Friday. Gold closed last week higher, at a price of \$1,923, up 0.15 per cent for the week.

Key Events

- 20/09/2023 - FED rate decision
- 21/09/2023 - BoE rate decision



Chart of the Week



This week's Chart of the Week highlights how Green Bond issuance has reached record levels in the first two quarters of 2023. Sustainable bond issuance topped more than half a trillion dollars in the first six months of 2023. Within this, green bond sales hit a record level of issuance, with \$351.9bn issued so far in 2023. This is an increase of 22% from the same period last year. What this shows is Governments and Companies are clearly committed to ESG.

<https://seasprayprivate.ie/the-green-wave-rise-of-green-bonds/>