

# Weekly Market Review

## Financial Headlines

### United States

The big news in the United States last week was the Federal Reserve interest rate decision. As expected by almost 99 per cent of analysts on Wednesday last, the Fed paused on hiking rates for the second time this year. The decision to pause comes as the Fed attempts to proceed more cautiously, after embarking on one of the most aggressive rate hikes in history over the past year. While US inflation did tick up to 3.7 per cent in August, officials are also aware that the effects of higher rates may only be starting to become visible now. Along with this, high oil prices, tighter labour market conditions and the threat of a government shutdown mean the US economy may show signs of slower growth over the next few months. Interest rates are still at a 22 year high despite the pause.

### Europe & UK

Following its counterpart in the US, the Bank of England announced its interest rate decision last Thursday. Similar to the FED, the Bank of England held rates at their current level of 5.25 per cent. This interest rate pause may have been triggered by the UK inflation data released on Wednesday last week. The data saw a surprise drop in inflation in August to 6.7 per cent, down from 6.8 per cent in July, and means the UK inflation rate is at its lowest level in 18 months. The Bank of England, like the Fed, did also hint at another rate rise later in the year but said inflation data would determine whether another rise was necessary. This is the first pause after 14 consecutive rate rises, which began in late 2021 as a response to the higher inflation levels. The bank's Monetary Policy Committee was split five to four on this rate pause.

### Ireland

Trinity College Dublin has received funding to develop an AI platform that will assist businesses with ethics and compliance. IntergrityIQ will be developed out of the Trinity Business School, with funding for the project coming from Enterprise Ireland. The technology will enable businesses and workers to share experiences in relation to corporate culture and ethical concerns. The platform will also provide an immersive experience for employees, and provide a confidential process for making protected disclosures. 16 Wall Street firms were fined \$1.8bn last year for inappropriate staff behaviour.

### Asia-Pacific

Huawei, the Chinese smartphone maker and one of the biggest competitors to Apple, has announced it has finally part developed its own processor for use in its new line of smartphones. This breakthrough could have far reaching consequences, as it will lessen the Chinese company's reliance on imported processors and semi conductors. Four of the eight central processors in Huawei's new phone, the Mate 60 Pro, are based on CPU's from Arm, the British chipmaker, but have been designed and built by Huawei internally. The other four central processors, however, come directly from Arm, showing how far Huawei and China still have to go in the semiconductor race.

## Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,320.06	-2.93%	+12.52%
NASDAQ	13,211.81	-3.62%	+26.23%
EuroStoxx 50	4,207.55	-2.04%	+10.91%
FTSE 100	7,683.91	-0.36%	+3.12%
ISEQ	8,502.19	-2.29%	+19.60%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	—	0
ECB	4.50%	↑	+0.25
BOE	5.25%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.438	+2.34%	+14.42%
US 2YR	5.112	+1.49%	+15.45%
German 10YR	2.7305	+2.27%	+6.47%
UK 10YR	4.2850	-2.68%	+16.79%
Irish 10YR	3.127	+1.10%	-0.60%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0646	-0.07%	-0.50%
EUR/GBP	0.8691	+1.09%	-1.65%
GBP/USD	1.2239	-1.19%	+1.19%

## Equities

US equity markets began last week with a relatively muted Monday session. Higher oil prices helped energy stocks generate positive gains, and along with a solid day for Apple, helped the S&P 500 start the week slightly ahead, up 0.07 per cent. The NASDAQ started the week just 0.01 per cent ahead. Tuesday in the US saw most sectors drift lower, on account of the Federal Reserve meeting and fears that higher Oil prices will cause a further spike in inflation. The S&P 500 finished the day down 0.22 per cent, while the NASDAQ was down 0.23 per cent. Wednesday was the Federal Reserve interest rate decision. Markets had effectively priced in a pause, so the announcement did not have a profound impact on markets. However, Jerome Powell's speech, and his belief that a soft landing for the US economy was possible but not his baseline scenario did spook equities worldwide. As a result, the S&P 500 and NASDAQ both finished lower on Wednesday, down 0.94 per cent and 1.53 per cent respectively. Thursday was even worse for US indices, with the S&P and NASDAQ down almost 1 per cent each. At close of business on Friday, after a bruising week, the S&P 500 closed 2.93 per cent lower, while the NASDAQ closed 3.62 per cent lower. In Europe, equity markets performed poorly at the beginning of last week, registering a negative trading session on Monday. This was due in part to cautious investor sentiment with two major interest rate decisions due last week. The UK's FTSE 100 closed Monday down 0.76 per cent, while the Eurostoxx 50 closed 1.14 per cent lower. The ISEQ closed 1.66 per cent lower. Tuesday was a relatively quiet day in Europe, as investors awaited the Fed and Bank of England rate decisions. The FTSE 100 was up slightly by 0.09 per cent, while the Eurostoxx 50 was down slightly by 0.07 per cent. Wednesday saw the Fed decision in the US, which took place at 7pm GMT, so after the markets closed in the UK and EU. Markets had priced in this rate pause so most European markets closed positively on Wednesday. Thursday and Friday were bruising days for UK and EU stocks, and by close of business on Friday, UK and major EU indices had all closed lower.

## Bonds

Bond yields had a bumper week, on the back of major interest rate decisions, and the belief that interest rates will have to remain higher for longer. The benchmark US 10 year yield hit a level of 4.371 per cent on Tuesday last, its highest level since November 2007. On Thursday, it rose to new 16 year high, reaching 4.43 per cent. The UK 10 year Gilt had a quieter week, as a rate hike in England was offset by lower than expected inflation data out of the UK. EU bond yields surged last week, with the German 10 year Bund reaching its highest level in over 10 years. The Irish 10 year also reached its highest level in eight years.

## Commodities

In Commodities, it was a relatively mixed week for Oil markets, with Brent Crude passing the \$95 mark and almost touching \$96 dollar a barrel. However, prices fell after the Federal Reserve's hawkish interest rate announcement with a further hike anticipated and uncertainty around the growth of global markets. Brent Crude closed lower at \$93.83, while WTI closed higher at \$90.35. Gold had a flat week, due to a strong US dollar tempering the positive sentiment that interest rates will stay higher for longer. Gold closed at a price of \$1,944.90, down 0.07 per cent for the week.

## Key Events

- 29/09/2023 - EU CPI (YoY)
- 29/09/2023 - UK GDP (YoY)



## Chart of the Week



(Source - Bloomberg)

This week's data insight looks at the potential growth in revenue that Generative AI could generate over the coming 10 years. Revenues from AI are expected to hit \$67bn this year, however, by 2032 that figure is expected to hit \$1.3tn. Along with this, potential investment in AI by companies as a total percentage of their technology spend is expected to reach 12 per cent by 2032, up from current levels of approximately 3 per cent.