

Weekly Market Review

Financial Headlines

United States

Last week in the US saw the Jackson Hole meeting of Federal Reserve chiefs. The big news out of the meetings was Jerome Powell's speech on Friday. In his keynote speech, Powell stated that inflation remained too high, and that he was prepared to raise rates further if it was deemed appropriate. The hawkish tone was tempered as Powell also stated that the Fed will proceed carefully in the final stages of its plan to bring headline inflation down to its proposed level of 2 per cent. Powell also stated that the Fed was focused on the upside risk of inflation, however, he did concede that the full effects of the previous rate hikes had yet to be fully felt in the economy. There is now a growing consensus that the Fed will pause on a rate hike in September.

Europe & UK

Both the UK and Europe suffered on the economic activity front last week. In the UK, the Purchasing Manager Index, one of the key economic indicators for the health of the economy, fell last week below its neutral 50 point threshold to 47.9. This fall could be partly attributed to higher interest rates taking their toll on borrowing and overall demand. This is the highest drop in the PMI since January 2021. The news was not much different in the EU. The HCOB Eurozone composite PMI fell to a level of 47 last week, which is a 33 month low. This index measures the level of economic activity across the EU bloc. The news from both economies has led investors to bet that interest rates might not increase further, as the ECB and Bank of England wait to see if there is any further contraction within their respective economies.

Ireland

In positive news for Irish consumers, Yuro Energy, an electricity bill pay service has entered the energy market and is claiming it can save customers up to €500 a year on annual bills. The news is helpful for the Irish energy market, as it was recently announced that Ireland had the highest electricity prices in the EU, almost 80 per cent above the average price. Yuro has said it will be operating on a bill pay system, with a bill issued at the start of the month that is based on predicated energy usage. Customers can then adjust their usage on an ongoing basis to keep costs down. This is the first entry into the Irish energy market in three years.

Asia-Pacific

China last week cut one of its benchmark lending rates in order to stimulate growth in an economy which has been faltering since reopening after Covid. The People's Bank of China announced a 0.10 percentage point cut to its one-year loan rate, while leaving its five-year rate steady. However, the cut was lower than expected by analysts and economists, who expected a 0.15 percentage point cut to the one year and five year rates. The news prompted CitiGroup to lower its growth rate for China to 4.7 per cent. There is growing sentiment that China will not reach its 5 per cent growth rate for 2023, with five international banks lowering their forecasts for the year.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,405.71	0.82%	14.75%
NASDAQ	14,941.83	1.67%	29.85%
EuroStoxx	4,236.25	0.54%	11.64%
FTSE	7,338.60	1.04%	-1.52%
ISEQ	8,778.65	1.95%	22.92%

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	4.231	-0.47%	8.68%
US 2YR	5.078	2.69%	13.72%
German 10YR	2.5545	-2.53%	4.46%
UK 10YR	4.4785	-4.27%	19.87%
Irish 10YR	2.945	-2.81%	-1.28%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0872	-0.70%	0.88%
EUR/GBP	0.8538	0.51%	-2.96%
GBP/USD	1.2737	-1.24%	3.99%

Equities

US Equities started last week on a positive note, with the S&P 500 and NASDAQ both rising over half a percent after a global sell off the week prior. However, this uplift was short lived, as Tuesday proved to be another poor day for indices in the US. One of the reasons for the drop was the news that S&P Global Ratings would be following in Moody's footsteps and downgrading some US banks due to the difficult economic environment. The banks in question were regional lenders, and S&P did not mention any of the major banks by name in their announcement. However, US bank stocks fell regardless and pushed the S&P lower on Tuesday. On Wednesday, indices rose on the back of positive earnings from NVIDIA, who have been at the forefront of the Artificial Intelligence boom over the past six months. The chip maker also announced that it would be buying back \$25bn in stock, which helped propel its share price to an all time high on Wednesday, closing at \$417. As a result, the S&P 500 gained just over a percent and the NASDAQ gained 1.59 percent. On Friday, Jerome Powell, the chair of the Federal Reserve, delivered his speech from the Jackson Hole conference. The speech had a positive impact on equities, with the S&P and NASDAQ adding 0.2 percent. US indices finished the week higher overall.

In Europe, equities performed poorly at the beginning of the week. The UK benchmark finished slightly higher on Tuesday, and followed that up with two positive sessions on Wednesday and Thursday, despite the poor UK PMI data. This rise was driven by the failed takeover of GAM, an asset management company, by Liontrust Asset Management. This caused the London listed Liontrust shares to soar 9% on Thursday, pushing up the FTSE. Elsewhere in Europe, the EuroStoxx 50 finished slightly higher over the course of the week, while the ISEQ had a positive week with five consecutive days of gains.

Bonds

Bond yields cooled slightly last week, after a record week previously. The US 10 year, seen as the global benchmark for sovereign bonds, recorded a 16 year high last Tuesday, reaching a yield level of 4.36%. However, after the poor economic data, yields retreated slightly back to a level of 4.2% on Thursday as investors began to swing towards Central Banks holding rates and not increasing any further. Yields in Europe also dropped last week after poor PMI data from both the UK and the EU bloc. The UK 10 year Gilt fell below the 4.5% mark later in the week, after hitting its own 15 year high two weeks ago.

Commodities

Commodities had another mixed week. Crude Oil had a positive start to the week, with WTI rising to \$82 on Monday. However, poor economic data from both sides of the Atlantic and continued fears about the Chinese economy resulted in poor mid week returns. On Friday, WTI closed at a price of \$80.05, while Brent Crude finished at \$84.88. In metals, after hitting five month lows on Tuesday last, Gold began to rise again. This was due in part to bond yields beginning to fall and raised hopes that policy makers would halt their rate rises. By Friday, the yellow metal had reached a price of \$1,943.30, up 1.4% for the week.

Key Events

- 30/08/2023 - US Q2 GDP revisions
- 31/08/2023 - Eurozone CPI Inflation



Article of the Week



This week's Article of the Week comes from a recent publication by Morgan Stanley, which looks at the current investments opportunities available in marine protection, as well as other projects in the sphere of climate change.

<https://seasprayprivate.ie/news-and-articles/4-ways-to-invest-in-a-sustainable-blue-economy/>