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Monday
02.10.2023

Weekly Market Review

Financial Headlines

United States

A government shutdown in the United States was averted last Saturday night, as a stopgap measure was agreed by leaders of the Republican and Democratic parties and passed by the US Senate. The measure will mean that the government will stay open for six weeks, however the deal omits billions of dollars in aid for Ukraine. The Senate voted 88-9 on the deal, after it was agreed by the House of Representatives earlier on Saturday by a vote of 335-91. A government shutdown was all but certain last Friday evening, however Republican House Speaker Kevin McCarthy brokered a new deal with hardline Republicans which helped avoid a full shutdown of federal institutions, which would have resulted in 4 million government employees not being paid. The current deal will expire on November 17th, 2023.

Europe & UK

There was positive inflation news in Europe last week, with the Euro Area and Germany both posting lower than expected inflation rates. For the Euro Area, the year-on-year inflation rate declined to 4.3 per cent in September, its lowest level since October 2021. The figure is also below the market consensus of 4.5 per cent. Core inflation, which strips out volatile food and energy costs also cooled, coming in at 4.5 per cent, its lowest level since August 2022. In Germany, the consumer price index year on year fell from 6.4 per cent in August to 4.3 per cent in September. This is the lowest rate of inflation in Germany since September 2021. Like the Euro Area, analysts had anticipated a lower rate of inflation, but this figure was below even what analysts had expected. Core inflation also fell to a one year low of 4.6 per cent.

Ireland

On the domestic front last week, The Minister for Finance Michael McGrath spoke about the upcoming budget at the Joint Oireachtas Committee on Budgetary Oversight. In his speech, the Minister stated that the overall budgetary package will be €6.4bn. Within this figure, there will be €1.1bn allocated for taxation measures and €5.2bn allocated for core expenditure. With this total figure, net core spending growth for the 2024 Budget will be 6.1 per cent, which is above the 5 per cent expenditure target set by the Government. However, this is due to the "new economic landscape" of inflation according to the Minister.

Asia-Pacific

Indebted Chinese property developer Evergrande missed a bond repayment last week, as pressure continues to mount on the world's most indebted property developer. Along with the missed bond payment, Evergrande also said it would no longer issue new notes as part of a debt restructuring deal because its mainland business in China, Hengda Real Estate was being investigated by the Chinese authorities. The investigation has been launched by the China Securities Regulatory Commission into a suspected breach of information disclosure rules. To add to all this, the chairman of Evergande, Hui Ka Yan, was reportedly placed under police supervision last week.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,288.05	-0.74%	+11.68%
NASDAQ	13,219.32	+0.06%	+26.30%
EuroStoxx 50	4,174.66	-0.80%	+10.01%
FTSE 100	7,608.08	-0.99%	+2.10%
ISEQ	8,416.58	-1.01%	18.40%

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	4.579	+3.18%	+18.06%
US 2YR	5.052	-1.17%	+14.09%
German 10YR	2.8525	+4.30%	+11.23%
UK 10YR	4.5015	+5.05%	+22.69%
Irish 10YR	3.254	+3.01%	+3.43%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0570	-0.75%	-1.21%
EUR/GBP	0.8662	-0.40%	-2.01%
GBP/USD	1.2199	-0.30%	+0.86%

Asset Class Review

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Equities

US equity markets started last week on a relatively positive note, with the S&P 500 and NASDAQ indexes both closing higher on Monday. This was due to stocks in the energy and materials sector posting positive gains last Monday. However, this gain was short-lived, and Tuesday would prove to be a damaging day for indices in the US. The declines were due to a combination of economic data that was released on Tuesday and the fear of continued higher interest rate levels. Consumer confidence and new home sales both pointed to a weakening US economy, with consumer confidence levels hitting four-month lows and new home sales falling by 8.7 per cent in August. The S&P 500 and NASDAQ both closed lower on Tuesday as a result. Wednesday would see slight gains, due to positive energy stocks such as ExonnMobil, who benefitted from the high oil prices. GDP data was released on Thursday, with the US economy growing by an annualised 2.1 per cent in the second quarter of 2023. Friday was a positive trading session; however, and enabled the NASDAQ to close the week higher, with the S&P closing lower. In Europe, equity indices had a poor start last week. The UK's FTSE 100 begun the week slightly lower due to fears of contagion from the Chinese property market debacle. The Eurostoxx 50 also started the week lower, also fuelled by Chinese fears and higher interest rates. Tuesday would be equally damaging in Europe as it had been in the US. The FTSE 100 managed to stave off losses due to a sharp rise in banking stocks such as Barclays, who gained 4 per cent last Tuesday on the back of higher interest rates. The FTSE closed 0.02 per cent up as a result. EU indices would not fare so well, as a combination of interest rates, continued fears from China and natural gas prices in Europe reaching their highest level since June, meant the Eurostoxx 50 closed Tuesday 0.92 per cent lower. In the latter half of last week, equities improved. Year on Year inflation in Germany fell from 6.1 per cent to 4.5 per cent in September and was below analysts' consensus of 4.6 per cent. Friday was positive for UK and EU indices, however overall for last week indices in the UK and Europe finished lower after some poor trading sessions.

Bonds

Bond yields continued their ascent last week, as investors increased their bets that interest rates will remain higher for longer to counter high inflation. The US 10 year yield passed the 4.5 per cent mark on Tuesday last, its highest level since October 2007. Meanwhile the UK 10 year Gilt passed the 4.5 per cent mark, as higher oil prices put pressure on bond markets and fuelled inflationary and higher interest rate fears. In the EU, the German 10 year Bund reached its highest level since July 2011, while the Irish 10 year yield surged and is now positive for the year, having been negative for the majority of months.

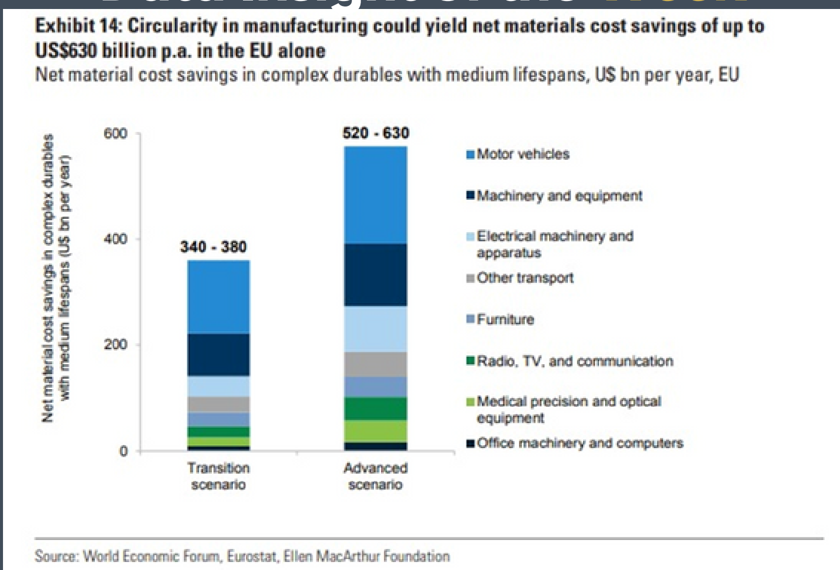
Commodities

In Commodities, Oil markets surged once again, helped by increasing uncertainty around the health of the global economy and supply constraints. US crude oil inventories fell by 2.2 million in the week preceding last week, which helped Brent Crude reach $97 on Wednesday last. However, prices retreated to $93 due to lower than anticipated inflation out of Germany and fears of higher interest rates for longer. Brent Crude closed at $92.09, while WTI closed at $90.7. Gold hit its lowest level for six months last Thursday, as rallying treasury yields and a strong dollar pushed prices down. The metal closed at a price of $1,864.60.

Key Events

- 04/10/2023 - US Services PMI
- 06/10/2023 - US Non Farm Payrolls

Data Insight of the Week



This week's data insight looks at the potential of a Circular economy in European manufacturing. The chart above identifies the savings that can be attained from a transition scenario to circularity in manufacturing. This could yield total savings of between $340bn - $380bn per annum in the European Union alone. This encompasses complex durables with medium term lifespans like motor vehicles and electrical machinery. However, in a more advanced scenario, with full circularity in manufacturing in Europe, up to $630bn per annum could be saved in terms of costs.

https://seasprayprivate.ie/the-potential-of-a-circular-economy/