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Monday
09.10.2023

Weekly Market Review

Financial Headlines

United States

While the United States did avoid a potential government shutdown just over a week ago, the consequences of that deal have now been felt politically. Kevin McCarthy, the Speaker of the House of Representatives, and third in line in terms of seniority behind only the Vice President and President, was ousted from his position last Tuesday evening. The coup was organised by Matt Gaetz, a Republican firebrand from Florida, who has held a grudge against McCarthy for months over an ethics investigation into Gaetz's personal behaviour. McCarthy has become the first Speaker to be removed from the position in US history, and now means the US Congress cannot pass legislation until a new speaker is elected. McCarthy brokered the deal that kept the government open until the next deadline on November 17th 2023.

Europe & UK

Last week, the Conservative Party in England held its party conference, at which the Prime Minister, Rishi Sunak, made some radical decisions. One of these decisions was the scrapping of the northern leg of the High Speed 2, or HS2. The HS2 project is one of the biggest infrastructure projects in the UK's history and would have seen 250 miles of rail infrastructure built across the southeast and northwest of England. The northern leg would have extended from Birmingham to Manchester, before eventually linking the north of England with Scotland. With the cancellation of the northern leg, the HS2 system will stop at Birmingham. Sunak did state in his speech that the £36bn that will be saved as a result of the cancellation will be reinvested in other transport projects around the country.

Ireland

In a positive development for the Dublin Stock Exchange, Aquila European Renewables, a clean energy investment group based in the UK, listed on the Euronext Dublin last Monday. The company has previously been floated on the London Stock exchange and has a market capitalisation of €338.8mn. The listing price was set at €0.83 per share, with 408mn shares being admitted to Dublin for trading. This listing will help Euronext Dublin, which in the last year has seen some of its largest companies leave the exchange, including market leaders CRH and Flutter. Smurfit Kappa is also expected to leave after their merger with WestRock is completed.

Asia-Pacific

The World Bank has lowered its growth forecast for China next year, along with a warning that economies in East Asia and the Pacific will grow at their lowest levels in almost five decades. According to the Bank, the forecasted growth rate for the Chinese economy has been downgraded to 4.4 per cent in 2024, down from a level of 4.8 per cent that was forecast in April. GDP forecasts for 2024 across developing economies in Asia have also been downgraded to 4.5 per cent, down from the 4.8 per cent estimated earlier this year. The reasons for these downgrades include lower demand for products globally, lower retail sales in China and geopolitical tensions between Asia and the US.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,308.50	+0.48%	+12.22%
NASDAQ	13,431.34	+1.60%	+28.33%
EuroStoxx 50	4,144.43	-0.71%	+9.26%
FTSE 100	7,494.58	-1.49%	+0.57%
ISEQ	8,293.46	-1.46%	+16.66%

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	4.795	+4.71%	+23.63%
US 2YR	5.081	+0.58%	+14.75%
German 10YR	2.9045	+2.34%	+13.26%
UK 10YR	4.6365	+3.41%	+26.37%
Irish 10YR	3.350	+2.79%	+6.48%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0586	+0.17%	-1.07%
EUR/GBP	0.8577	-0.14%	-2.18%
GBP/USD	1.2237	+0.34%	+1.17%

Asset Class Review

Equities

US equity markets were muted at the beginning of last week. The S&P and NASDAQ both climbed marginally higher, due to the the government avoiding a shutdown and better than expected manufacturing PMI data which indicated that the contraction in US manufacturing had slowed considerably. On Tuesday, US equities fell sharply, after the job openings report came in stronger than expected, with over 9.6m job openings, higher than the 8.8m openings expected. This report strengthened the belief that interest rates in the US will have to remain higher for longer. The bond market sell off also rattled markets, with the S&P and NASDAQ both closing over 1 per cent lower each on Tuesday. Wednesday in the US would see a reversal in fortunes, as the bond yield surge stalled. The S&P and NASDAQ closed Wednesday's session in positive territory. Indices were slightly down again on Thursday, due to initial jobless claims in the US coming in lower than forecasted at 207,000, once again pointing to a strong US labour market. Friday would see critical US non-farm payrolls released, with payrolls increasing by 336,000, well above the revised figure of 227,000. Despite these numbers, the S&P and NASDAQ finished up on the day and week overall. In Europe, indices opened last week in negative territory on the back of fears that interest rates may have to stay higher for longer, and poor EU economic data. The FTSE 100 closed 1.3 per cent lower on Monday, due to these interest rate fears and a lower than expected fall in housing prices in the UK. EU indices were also off, due to poor PMI data which showed the manufacturing sector in the EU remained in contraction territory in September. The decline in equities would continue Tuesday on the back of soaring bond yields and a strong US dollar, as the FTSE closed 0.5 per cent lower, while the Eurostoxx 50 closed 1.02 per cent lower. Wednesday was mixed in Europe, with the FTSE experiencing its third straight day of losses, while the Eurostoxx 50 broke its losing streak and finished just 0.1 per cent ahead. Thursday would see positive gains for UK and EU indices, while on Friday all equity indices surged on the back of the US jobs data. However, it was a negative week overall for EU equities.

Bonds

Bond yields once again surged last week, due to the belief that interest rates will remain higher, coupled with strong macro data coming in particularly from the US. Long term US yields increased dramatically last week, with the US 10-year yield almost touching 5 per cent, while the US 30-year yield reached 4.95 per cent its highest point in 16 years. The US 30-year yield is important as it can be used as a rate for mortgages in the US, so an increase in this yield could increase mortgage repayments. In Europe, the UK 10-year Gilt did increase slightly last week, topping out at over 4.6 per cent.

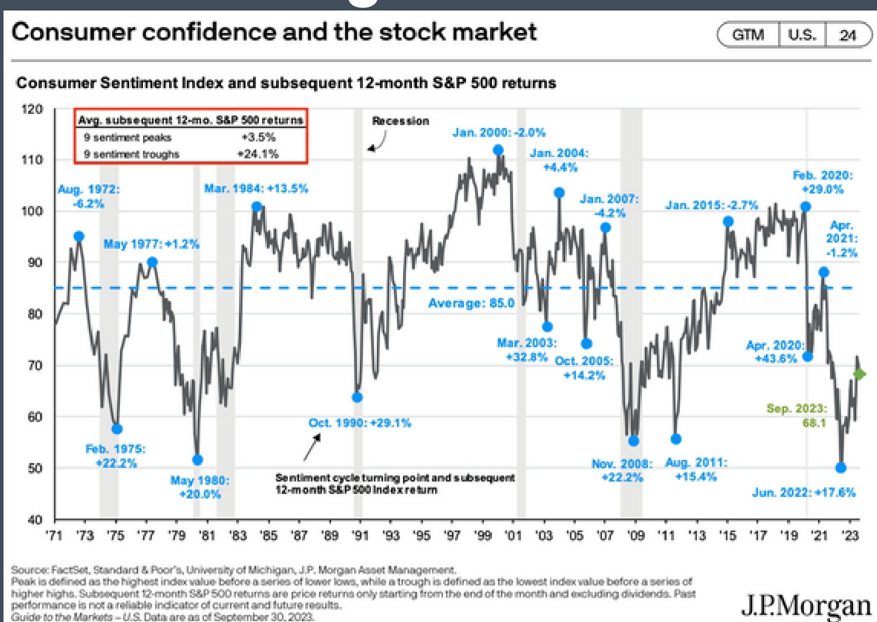
Commodities

In Commodities, Crude Oil prices retreated swiftly last week, as fears of lower global demand and prolonged interest rates outweighed supply fears. Brent Crude slumped back to $85 a barrel last Thursday, from a high of $97 the week previous. Data from the US last week saw the four-week average for gasoline demand reached its lowest level since 1998. Brent Crude is currently at $84.43, while WTI is $82.81. Gold meanwhile reversed some its decline late last week, having hit seven month lows earlier in the week due to interest rate fears and the bond market selloff. The metal closed last week at a price of $1,847.

Key Events

- 11/10/2023 - UK GDP Data
- 12/10/2023 - US Inflation Data

Data Insight of the Week



This week's Data Insight shows the consumer sentiment index and the subsequent 12-month S&P 500 returns. On average the S&P 500 returned just 3.5% in the ensuing 12 months if you invested when consumer sentiment was at its peak over the past 50 years. Conversely, if you invested when consumer sentiment was at its lowest point over the past 50 years, your average return would equate to 24.1%. This is six times the return, simply for investing when people are sceptical of market conditions.

https://seasprayprivate.ie/timing-the-market-consumer-sentiment/