SEASPRAY PRIVATE
Creating Investment Solutions

Monday
16.10.2023

Weekly Market Review

Financial Headlines

United States

While Geopolitics was at the forefront last week in the US, there was also inflation data released. The consumer price index rose 3.7 per cent year on year in September, the same rate of change as in August. However, on a month-to-month basis, the rate of inflation slowed from 0.6 per cent in August to 0.4 per cent in September. The US core inflation rate, which strips out volatile energy and food costs came in at 4.1 per cent in September, slightly lower than the 4.3 per cent at the same time last year. These inflation rates come after stellar jobs data released over the past few weeks, highlighting the continued strength and resilience of the US labour market. However, even with this data, markets are still pricing a continued pause in interest rate hikes in December with a 40% probability of a final 0.25% increase.

Europe & UK

The OECD reported last week that employment levels have reached record highs across many developed economies, in spite of the higher interest rate levels and inflation rates. Within the OECD's 38 countries, the level of the working age population that is in employment rose to above 70 per cent for the first time, with workforce participation also reaching its highest level since records began. This includes countries such as France, Germany and Italy. These record levels have been attributed to continued labour shortages, which have been caused by ageing populations and lifestyle changes since the COVID pandemic ended. There is real optimism that the European Central Bank specifically will be able to bring inflation down to target 2% level, without the negative consequence of serious unemployment.

Ireland

The 2024 Budget was announced last Tuesday by Minister of Finance Michael McGrath. While there was much to digest, one of the major announcements was the establishment of two new government funds. The larger of these funds will be the Future Ireland Fund, which will be used to help to address long term challenges facing the economy, such as the ageing population. Successive governments will be bound to invest the equivalent of 0.8 per cent of GDP into this fund every year, with the hope being that the fund will be worth €100bn by 2034. The overall budget package totalled €14bn.

Asia-Pacific

Country Garden, the heavily indebted Chinese property developer, last week announced that it could potentially default on its international debt repayments. The company has international debt repayments totalling $10bn, while also having another $200bn in liabilities. Country Garden has experienced a torrid time so far this year, with sales falling for the sixth consecutive month in September and sales for the first nine months of 2023 down 44 per cent from the same period in 2022. The company has so far withstood the property crash in China which caused Evergrande, one of the other large property companies in China to default in 2021.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,327.78	+0.45%	+12.72%
NASDAQ	13,407.23	-0.18%	+28.10%
EuroStoxx 50	4,135.45	-0.22%	+9.01%
FTSE 100	7,599.60	+1.40%	+1.98%
ISEQ	8,207.73	-1.03%	+15.46%

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	4.616	-2.31%	+19.01%
US 2YR	5.058	-0.46%	+14.23%
German 10YR	2.7355	-5.18%	+6.67%
UK 10YR	4.4240	-4.71%	+20.58%
Irish 10YR	3.179	-5.19%	+1.05%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0508	-0.72%	-1.79%
EUR/GBP	0.8654	+0.08%	-2.15%
GBP/USD	1.2142	-0.77%	+0.39%

Asset Class Review

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Equities

US equity markets began last week on a positive note, despite the conflict in the Middle East. Gains were made specifically in the energy and defence markets, due to the commencement of hostilities between Israel and Palestine driving the price of energy commodities like oil and gas higher. The S&P closed 0.63 per cent higher while the NASDAQ closed 0.39 per cent higher. Tuesday was another positive day in the US, helped by comments made by Atlanta Federal Reserve President Raphael Bositc that the Fed does not need to raise rates any further to get inflation down to the 2 per cent required level. Ten of the 11 S&P sectors finished higher on Tuesday, with the S&P 500 and NASDAQ closing Tuesday over half a percent higher. Wednesday would be a quieter day for equities in the US, however even with the relatively muted tone both the S&P and NASDAQ finished the day ahead. Thursday would see US inflation data released, which heightened fears of another interest rate hike to combat high inflation rates. Finally, Friday would see earnings from major banks announced, with higher than expected revenues. This helped the S&P finish higher, however the NASDAQ would close lower. In Europe, equity markets did not share the optimism of their US counterparts at the beginning of last week. In the UK, the FTSE 100 was muted on Monday last, due to the geopolitical uncertainty in Israel and fluctuating energy prices. European-based equities were negative, owing also to the Middle East crisis, with travel and retail stocks down over 2 per cent. Tuesday would see a reversal in fortunes, with UK and EU equities tracking the gains made by US stocks on Monday. The FTSE was also helped by a decline in Gilt yields, while in the EU surges in travel, mining and energy stocks pushed indices higher. Wednesday in Europe would be more muted, and as a result, markets finished flat to slightly lower. Thursday was mixed, as the FTSE finished higher on the back of positive UK GDP data, while EU indices finished lower after digesting the US inflation figures. To close out last week, EU indices finished lower as uncertainty around the Middle East conflict continued, while the UK's FTSE 100 finished ahead for the week.

Bonds

Bond yields were far more muted last week than in previous weeks, as geopolitical tensions once again took centre stage. The US 10 year yield retreated from its 16 year high of 4.88 per cent to 4.6 per cent last week. Yields fell after comments by Federal Reserve staff which indicated that interest rates were sufficiently high to combat inflation. However, elevated inflation data from the US did help yields later in the week. The UK 10 year Gilt hit a two week low last Thursday, before rising sharply after the US inflation figures were released, topping out at 4.4 per cent.

Commodities

In Commodities, Oil markets were in the spotlight last week once again, after a spike in prices due to the outbreak of hostilities in Gaza. However, prices did steady later in the week, after US crude oil inventories increased by 10.176 million, massively more then forecasted. Brent Crude closed at $90.80, while WTI closed at $86.35. In Gold markets, the yellow metal rebounded after hitting six month lows in recent weeks. This rebound was caused by the outbreak of hostilities in Israel pushing investors into the safe haven commodity, along with hope that interest rates would not be raised further. The metal closed at $1,945.90.

Key Events

- 18/10/2023 - UK Inflation Rate
- 18/10/2023 - European Inflation Rate

Our investment philosophy at Seaspray Private is the desire to create positive, long term sustainable and responsible investment solutions and portfolios for our clients. Last Monday Climate Change Bond 4 which was available exclusively to clients of Seaspray Private delivered a gross return of 16.02% over 12 months. For further information click on the following link:

https://seasprayprivate.ie/sips/climate-change-bond-4-kick-out-bond/