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Monday
23.10.2023

Weekly Market Review

Financial Headlines

United States

While President Joe Biden visited Israel and the Middle East last week to help bring an end to the conflict, there was another important political development at home in the US. Jim Jordan, an ally of former President Donald Trump, was defeated in his bid to become the next Speaker of the House of Representatives. Jordan lost the vote after 20 members of the Republican Party voted against his appointment, once again highlighting the deep divides that exist within the GOP. The problem for the US is that while there is no Speaker of the House, the US government cannot legislate in any way, therefore making it impossible to pass bills. This is becoming even more crucial as it means the US cannot increase funding to Israel or Ukraine or approve legislation to fund a potential shutdown in November.

Europe & UK

Inflation rates in the UK last week held steady, increasing pressure on the Bank of England to maintain its hawkish approach and not relax monetary policy. The year-on-year inflation rate for the 12 months leading up to September was expected to fall to 6.6 per cent, however it remained at a sticky and slightly elevated rate of 6.7 per cent for the 12 months. The core inflation rate, which strips out volatile energy and food prices, did slow slightly to 6.1 per cent for the 12-month period, which was down from the 6.2 per cent rate recorded in August. In a worrying sign for the Bank of England, the UK inflation readings were higher than many of their EU counterparts such as France and Germany. The reason for the higher than expected inflation rates was attributed to higher fuel prices and increased costs of hotel and tourist accommodation.

Ireland

Last week, the cryptocurrency operator Coinbase announced it would be using Ireland as its main operations and regulation centre in Europe. This decision is due to new EU regulations (MiCA) set to be introduced that will regulate crypto service providers across the Bloc from next year. If the company obtains its MiCA approval from the EU, it will be able to launch its services in any country in the EU without having to gain a license in that country. Coinbase already has a base within Ireland, employing almost 100 employees in its Dublin office, and this announcement is a further endorsement for the country going forward.

Asia-Pacific

In more positive news for the Chinese economy, it was reported last week that the Gross Domestic Product for China increased 4.9 per cent year on year in the third quarter of 2023. The economy itself also grew by 1.3 per cent in the third quarter. The 4.9 per cent growth in GDP is higher than was expected by Reuters, who anticipated a growth in GDP of 4.5 per cent. The figures underscore the work being done by Beijing in recent months to stimulate growth and reduce risk in the property market. The Government has tried to shift the country away from property and infrastructure investing toward more sustainable growth areas in high tech manufacturing and consumer services.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,224.16	-2.39%	+10.02%
NASDAQ	12,983.81	-3.16%	+24.05%
EuroStoxx 50	4,026.25	-2.66%	+5.29%
FTSE 100	7,402.14	-2.60%	-0.67%
ISEQ	7,776.62	-5.25%	+9.39%

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	4.914	+6.44%	+26.70%
US 2YR	5.071	+0.26%	+14.52%
German 10YR	2.8915	+5.70%	+12.75%
UK 10YR	4.6980	+5.69%	+28.05%
Irish 10YR	3.328	+4.69%	+5.79%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0591	+0.80%	-1.02%
EUR/GBP	0.8709	+0.67%	-1.53%
GBP/USD	1.2162	+0.19%	+0.55%

Asset Class Review

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Equities

US equity markets began last week with an optimistic outlook, even with the ongoing hostilities in the Middle East. Corporate earnings fever helped push the S&P 500 and NASDAQ one per cent higher on Monday. However, after strong US retail sales were released on Tuesday, which indicated that the US economy is still not cooling fast enough for the Federal Reserve to retreat from its higher for longer mantra, US equity indices fell slightly. NVIDIA shares were also hit after the Department of Commerce stated it would be restricting the sale of advanced semiconductor chips to China. The S&P finished Tuesday just 0.01 per cent lower, while the NASDAQ dropped 0.25 per cent. On Wednesday, markets tumbled. The missile strike on a hospital in Gaza increased fears that the conflict would escalate further, while Treasury yields also spiked. The S&P and NASDAQ both closed down over one per cent as a result. After poor Thursday and Friday sessions the S&P closed over two per cent lower and the NASDAQ closed 3 per cent lower for the week. In Europe, indices were slightly ahead after Monday's session. Investors were still unsure what impact the conflict in Gaza would have on European indices. On the economic front, Monday saw German wholesale prices fall by 4.1 per cent, which was welcomed by investors. Tuesday in Europe would see cautiousness amongst equity markets. Once again markets closely watched the ongoing conflict in Gaza, while increasing bond yields and the expectation of a further interest rate hike in the US also impacted market sentiment. As a result, the Eurostoxx 50 finished flat while the FTSE 100 finished slightly ahead. Wednesday would see UK inflation rates released, with the rate of inflation remaining slightly elevated year on year at 6.7 per cent. This pushed the FTSE lower, along with the increase of tensions in Gaza and rising Gilt yields. EU indices digested the UK figures along with the positive GDP data from China, however finished lower regardless. The decline would continue on Thursday, as geopolitics and interest rates dampened spirits. Friday would see much the same, with the FTSE and Eurostoxx closing lower, and down 2.6 and 2.66 percent respectively on the week.

Bonds

Bond yields surged once again last week, helped by growing uncertainty in the Middle East and economic data sets released in the US and the UK. The US 10 Year yield smashed its 16-year record on Thursday, reaching 4.9 per cent. This was due to a suite of data released last week, including retail sales and industrial output both coming in stronger than expected, highlighting the resiliency of the US economy, and piling more pressure on the Fed. The UK 10 Year Gilt also surged to 4.7 per cent on the back of elevated inflation rates, while the German 10 Year Bund touched 2.9 per cent in anticipation of the ECB meeting next week.

Commodities

In Commodities, Crude Oil prices were mostly flat last week, despite the tensions in the Middle East. Prices spiked to $92 on Wednesday due to the hospital strike, raising fears of international supply shortages of crude oil. Prices retreated after OPEC refused to support Iran's call to place an oil embargo on Israel, however there was another spike late last week. Brent Crude closed last week at $92.51, while WTI closed at $88.30. In Gold markets, the yellow metal spiked to its highest price in nearly three months last week as investors looked for safer havens. The metal closed at a price of $1,993.10.

Key Events

- 26/10/2023 - ECB Interest Rate Decision
- 27/10/2023 - US Core PCE Price Index (YoY)

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MAKING WAVES

The latest episode in our Seaspray- Making Waves podcast series- 'Q3 Quarterly Investment Update' was released this week. There were plenty of key talking points which Danny O'Leary and Paul McGowan touched on- from the recent Irish Budget, key macro-economic and market related calls from earlier in the year to outlining the opportunities and value they feel can be found for investors to the end of 2023 and beyond. Episode 4 is available to watch and listen to on Spotify, iTunes, YouTube and our Seaspray Private website following the below link:

https://seasprayprivate.ie/making-waves-podcast/making-waves-episode-4/