Weekly Market Review

Financial Headlines

United States

In the US last week, there was political and economic developments. A new Speaker of the House of Representatives was elected, with Mike Johnson being voted in unanimously by his Republican Party allies, with all 220 Republicans in the House voting for him. The election of Johnson brings to an end weeks of infighting within the Republican Party and stasis within the House, which cannot pass legislation without an elected Speaker. Thursday also saw news out on the U.S. economy which grew almost 5% in the third quarter, again defying dire warnings of a recession, as higher wages from a tight labour market helped to fuel consumer spending and businesses restocked at a brisk rate to meet the strong demand. With underlying inflation at 3.7% there is belief the FED can engineer a "soft landing" for the Economy.

Europe & UK

The big news in Europe last week was the European Central Bank's interest rate decision. Despite the recent uncertainty in markets, and inflation rates remaining sticky in some countries within the Eurozone, the ECB voted to maintain interest rates at current levels. In the press release after the decision was made, the Governing Council stated that while inflation rates are expected to remain too high for too long, the past interest rate increases are continuing "to be transmitted forcefully into financial conditions". The decision to pause leaves the main refinancing interest rate at 4.50 per cent, after an unprecedented ten straight interest rate hikes. The rate of inflation in the Eurozone has fallen considerably in the past year, from a high of 10.6 per cent last year to a rate of 4.3 per cent in September.

Ireland

According to Eurostat, Ireland now has the second largest budget surplus in the EU, trailing only Denmark. Ireland's seasonally adjusted budget surplus equated to 2.4 per cent of Gross Domestic Product (GDP) between the months of April and June, while the Euro Area average for the same period saw a 3.3 per cent deficit. Along with this, Ireland also has the eighth lowest level of debt in the Eurozone, with debt to GDP levels standing at 43.1 per cent. The Euro Area average for this statistic is 90 per cent. The expectation from the Government is that the 2023 budget surplus will come in at around €8.8bn.

Asia-Pacific

Last week China state media reported that the country had launched an investigation into Foxconn, the maker of Apple's iPhone. The investigation is related to tax issues and the usage of land by the company. The founder of Foxconn, Terry Gou, is currently running as a presidential candidate in the Taiwanese presidential election and has made no secret of his lack of interest in dealing with the Beijing Government. The investigation will put increased strain on the relationship between Apple and the Chinese authorities, who in recent months have stepped up efforts to remove or outright ban Apple products from the country.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,117.37	-2.53%	+7.24%
NASDAQ	12,643.01	-2.62%	+20.80%
EuroStoxx 50	4,014.36	-0.25%	+5.83%
FTSE 100	7,291.28	-1.50%	-2.15%
ISEQ	7,809.8	+0.84%	+10.31%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	—	0
ECB	4.50%	—	0
BOE	5.25%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.845	-1.40%	+24.92%
US 2YR	5.015	-1.10%	+13.26%
German 10YR	2.8125	-2.45%	+9.67%
UK 10YR	4.5920	-2.27%	+25.16%
Irish 10YR	3.237	-3.03%	+2.89%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0564	-0.25%	-1.27%
EUR/GBP	0.8715	+0.10%	-1.46%
GBP/USD	1.2121	-0.30%	+0.21%

Asset Class Review

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Equities

US equity markets began last week with mixed performances. The S&P 500 began the week lower while the NASDAQ climbed slightly. On Tuesday, there was a slew of corporate earnings released, with mega-caps Alphabet and Microsoft both announcing earnings. Microsoft saw record quarterly earnings of $56.5bn, with shares in the tech giant surging by 8 per cent as a result. Meanwhile Alphabet shares tumbled as growth in its cloud division slowed, causing shares to drop by 5.7 per cent on Tuesday. The S&P and NASDAQ closed Tuesday over half a percent higher each. Wednesday would be a bruising day for US equities, with indices finishing lower due to the Alphabet earnings and soaring bond yields. To close out last week, US equities would recover due to positive data surrounding US personal spending levels, brushing off higher than anticipated core PCE inflation levels. Overall, the S&P and NASDAQ both ended the week lower, down 2.53 and 2.62 per cent respectively. European equities began last week similar to indices in the US, with a mixed Monday session. The FTSE 100 finished lower on Monday due to continued uncertainty around the bond market. EU indices were flat to slightly ahead at the begining of last week. Tuesday would see positive gains in the UK and Europe, as corporate earnings and receding yields helped equity markets bounce back. The positive trend would continue Wednesday, with the Eurostoxx 50 posting its third straight day of gains, while the FTSE also gained slightly. On Thursday, equity indices in Europe and the UK fell. The FTSE fell to its lowest point in two months, with corporates like Barclays, HSBC and Standard Chartered dragging the index down, while the Eurostoxx 50 also fell sharply on Thursday after poor earnings reports across the bloc. Friday would see equities across Europe bounce back, with the FTSE helped by mining and oil stocks and the Eurostoxx 50 helped by positive economic data from Spain and France, with Spain's economy growing by more than expected and French consumer confidence increasing unexpectedly. However, for the week, the FTSE finished 1.50 per cent lower while the Eurostoxx 50 finished 0.25 per cent lower.

Bonds

Bond yields in the US remained elevated last week, as investors and analysts continue to monitor the Federal Reserve's hawkish approach and economic data sets. The US 10 year yield reached 5 per cent last Monday, but pulled back to 4.8 per cent, as volatility in the bond market continued. US private sector PMI's increased in October, meaning the Fed may have to maintain its higher for longer mantra. The UK 10 year Gilt retreated late last week to 4.5 per cent, as UK PMI's saw the economy contract for the third straight month, suggesting the Bank of England will not have to keep rates as high for long.

Commodities

In Commodities, Oil markets were relatively flat for the week, considering the external environment. The diplomatic progress made in the Middle East, such as aid convoys being granted access to Gaza from Egypt helped calm oil markets. US crude inventories were also far higher than expected last week, while sanctions on oil rich Venezuela were lifted by the US as the country's leaders agreed to hold fair elections next year. Brent crude closed at $90.44, while WTI closed at $85.16. Gold soared last week, reaching five month highs as investors continue to look for safe havens amidst wider uncertainty in global markets. The metal currently closed last week at a price of $2,016.30.

Key Events

01/11/2023 - Federal Reserve Interest Rate decision
02/11/2023 - Bank of England Interest Rate decision