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Monday
06.11.2023

Weekly Market Review

Financial Headlines

United States

In the US last week, the Federal Reserve announced its most recent interest rate decision. As was expected, the Fed held interest rates at their current level of 5.50 per cent, the highest interest rate level in 22 years. This was the second meeting in a row that the Federal Open Market Committee (FOMC) decided against raising rates and was a unanimous decision amongst members. In the press conference after the announcement, Federal Reserve Chair Jerome Powell stated that "inflation remains well above our longer run goal of 2 per cent". However, he also stated that the committee had agreed to maintain the target range for the Federal funds rate at 5.25 to 5.50 per cent, which may be a hint that the Fed is nearing the very end of its rate hike cycle.

Europe & UK

The Bank of England also had its interest rate decision last week. Like the Federal Reserve, the BoE also paused on increasing interest rates any further, leaving rates at 5.25 per cent, the highest in 15 years. Markets had anticipated a pause in rates, as recent data from the UK continues to show a slowdown in economic activity. Inflation in the UK was 6.7 per cent in September, having remained unchanged from Augusts' 18 month low. However, in his address after the decision, governor of the BoE Andrew Bailey stated that he anticipated the rate of inflation to fall to below 5 per cent in October, and said the Bank also expects inflation rates to remain around this figure for the rest of the year, before dropping further in 2024. Expectations are for UK inflation rates to hit 1.9 per cent in two years' time.

Ireland

There was a raft of positive earnings reports for companies on the Euronext Dublin exchange last week. AIB, one of Irelands largest banks, upgraded its full year income forecasts for the third time in 2023, with the bank stating its total income had increased by 70 per cent in the first nine months of 2023. Kilkenny based Glanbia also upgraded full year earnings, despite a drop in revenues in the third quarter. The food group expects revenues to increase by 5 per cent for the year. Smurfit Kappa also announced earnings for 2023 will come in slightly better for the year, helped by better-than-expected box demand.

Asia-Pacific

The People's Bank of China was the single largest purchaser of Gold in the first nine months of the year, highlighting the record level of bullions bought by Central Banks globally. Overall, 800 tonnes of gold have been bought by Central Banks this year, up 14 per cent year on year, with China purchasing 181 tonnes of this. Some of the reasons for this buying spree is to hedge against inflation, and to lessen the power of the US dollar as a reserve currency. The purchasing of gold by the Peoples Bank of China, along with the volatile property market and weak Renminbi has meant Chinese citizens have also turned to buying bullions in order to store their wealth.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,358.34	+5.85%	+13.51%
NASDAQ	13,478.28	+6.61%	+28.78%
EuroStoxx 50	4,176.45	+4.04%	+10.09%
FTSE 100	7,417.73	+1.73%	-0.46%
ISEQ	8,270.81	+5.90%	+16.35%

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	4.576	-5.56%	+17.98%
US 2YR	4.845	-3.38%	+9.42%
German 10YR	2.6570	-6.25%	+3.61%
UK 10YR	4.3285	-5.86%	+17.97%
Irish 10YR	3.089	-5.65%	-1.81%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0728	+1.57%	+0.26%
EUR/GBP	0.8665	-0.55%	-2.02%
GBP/USD	1.2377	+2.11%	+2.32%

Asset Class **Review**

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Equities

US equity markets began last week higher, with the S&P 500 and NASDAQ both up over one per cent on Monday. The big news for markets last week was the Federal Reserve rate decision, and most analysts had priced in a pause. Tuesday would again see positive gains in the US, with all 11 S&P sectors finishing higher. The Federal Reserve rate decision took place on Wednesday, with the outcome being a pause, as expected. US manufacturing data for October was also released, with the ISM manufacturing index coming in at 46.7 in October compared to 49.0 in September. The S&P and NASDAQ still finished over one percent higher each on Wednesday. US equities would continue their ascent Thursday, with the S&P and NASDAQ both one per cent ahead. Thursday also saw Apple post strong quarterly earnings, beating estimates and delivering revenues of $89.5bn. On Friday, US non-farm payrolls were announced, with October payrolls increasing by 150,000, down sharply from the 330,000 added in September. The decline in jobs growth may indicate that higher interest rates are now beginning to impact the US labour market. For the week, the S&P was up 5.85 per cent, while the NASDAQ was up 6.61 per cent. In tandem with the US, markets in the UK and Europe started the week on a positive note, with the FTSE up half a percent while the Eurostoxx 50 was up 0.35 per cent. Tuesday would see the FTSE close slightly lower, mainly due to oil giant BP falling 5 per cent after poor earnings. In Europe, Tuesday would be a positive trading session among major indices, helped by the lower-than-expected inflation rate for the Eurozone in October. The rate of inflation in the Eurozone fell to 2.9 per cent in October, down from a rate of 4.3 per cent in September. Wednesday would see markets in the UK and Europe trade higher as they awaited the Federal Reserve rate decision, with little volatility in anticipation of the announcement. Equities jumped on Thursday as investors digested the Federal Reserve and later the Bank of England's interest rate decisions. The FTSE was up 1.73 per cent for the week while the Eurostoxx 50 was up 4.04 per cent. Overall, markets had their best week since November 2022.

Bonds

Bond yields retreated last week, as the Federal Reserve announced its expected interest rate pause, leaving interest rates at 5.50 per cent. The US Treasury Department also announced it would sell $112bn worth of long duration notes and bonds, below the $114bn expected. The US 10 year yield stood around 4.57 per cent at the end of last week. The UK 10 year Gilt also retreated last week, as the Bank of England paused on raising interest rates. The yield on the 10 Year Gilt closed at 4.32 per cent last week.

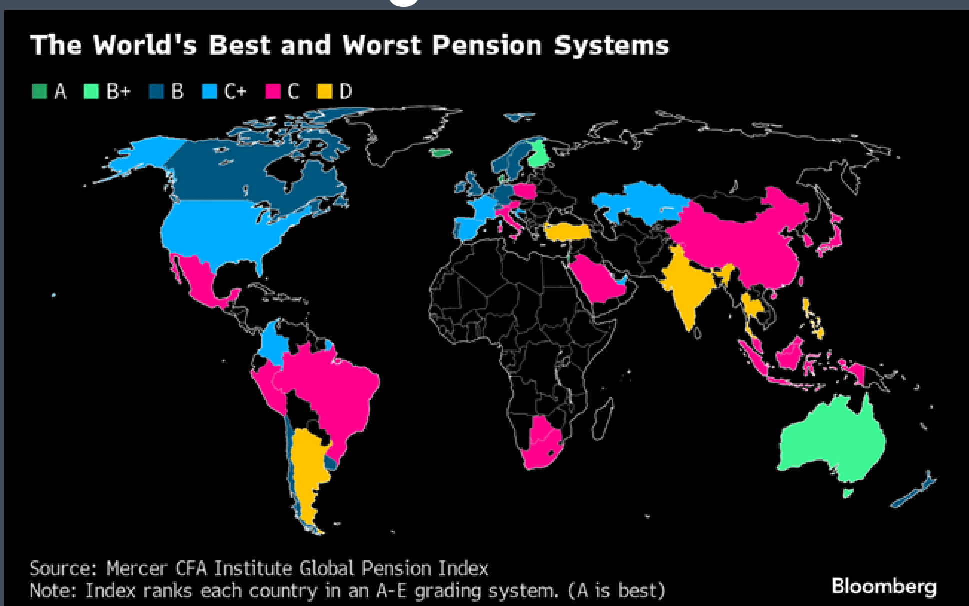
Commodities

In Commodities, crude oil markets retreated last week. This was due to a continuing belief that the conflict in Gaza can be contained and will not grow into a regional conflict. Oil markets also fell on the back of weak US and Chinese manufacturing activity data, indicating that the world's largest economies are continuing to cool from a manufacturing perspective. Brent Crude closed at $85.23, while WTI closed at $80.89. Gold prices jumped again last week, on the back of another interest rate pause, falling bond yields and a weaker US dollar. The metal closed last week a price of $1,999.90.

Key Events

- 08/11/2023 - German CPI (MoM)
- 10/11/2023 - UK GDP Data

Data Insight of the **Week**



This week's data insight shows the best and worst pension systems in the world, according to Mercer's CFA Institute Global Pension Index. The Netherlands was ranked first of the 47 countries included in the index, while Ireland was ranked 13th of the 47. These systems are graded on several different criteria, particularly in the areas of adequacy, sustainability, and integrity.

https://seasprayprivate.ie/improvement-for-irelands-pension-system/