

Weekly Market Review

Financial Headlines

United States

In the US last week, the inflation rate for the world's largest economy fell to a rate of 3.2% in October. This is down from an annual rate of 3.7% in September. The rate was slightly lower than the 3.3% that had been anticipated by many analysts. This was the first decline in the rate of inflation for four months, and is a key sign that the Federal Reserve's intense interest rate hike cycle is now beginning to garner results. Core inflation, which strips out volatile food and energy prices, was also slightly lower than expected in October, coming in at 4%, compared to 4.1% recorded at the same time last year. Overall, on a year over year basis, it is motor vehicle insurance that is driving the rate of inflation in the US. Vehicle insurance is up 1.9% month over month and 19.2% year over year.

Europe & UK

The rate of inflation in the UK slowed down more than anticipated last week, to a rate of 4.6% for the month of October. This was well below the 6.7% rate recorded in September, and was the largest single drop in the rate of inflation in the UK in more than three decades. The lower rate was attributed primarily to falling energy and food prices. The sharp decline has highlighted once again the impact that higher interest rates have had on some of the world's largest economies. The Bank of England has held rates at their highest level in 15 years since August, when they raised rates to 5.25%. The news will be welcomed by the Prime Minister Rishi Sunak, who declared back in January, his intention to halve the then 10.7% inflation rate by the end of the year. UK inflation is now at its lowest pace since 2021.

Ireland

The Central Bank of Ireland released updated guidelines and regulations for employees and executives who work for financial companies in Ireland. The new regulations will focus on three key areas, these being the Senior Executive Accountability Framework (SEAR), the Conduct Standards and the Fitness & Probity Regime. Under the SEAR Framework, financial companies will have to set out what decisions senior executives are responsible for in the organisation. The Conduct Standards will set out basic standards of honesty and integrity, while the Fitness and Probity Regime will mean firms must certify individuals are fit and proper for their job.

Asia-Pacific

Last week, Chinese leader Xi Jinping met with his US counterpart Joe Biden in San Francisco. The two leaders agreed to reopen military communication lines after nearly 18 months closed, in a sign that relations between the superpowers are beginning to improve once again. Along with discussions on military communications, there was also an agreement made which will see a crackdown on exports of chemicals which are used to make fentanyl, a drug which is 50 times more potent than heroin, and has caused a new drugs epidemic in the US. Finally, there was also an agreement to open dialogue on AI, as well as increasing the amount of commercial flights between the two countries.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,514.02	+2.24%	+17.57%
NASDAQ	14,125.48	+2.37%	+34.96%
EuroStoxx 50	4,339.15	+3.38%	+14.38%
FTSE 100	7,504.25	+1.95%	+0.70%
ISEQ	8,255.97	+2.87%	+16.14%

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	4.439	-4.45%	+14.45%
US 2YR	4.894	-3.45%	+10.53%
German 10YR	2.5860	-4.58%	+0.84%
UK 10YR	4.1320	-5.36%	+12.62%
Irish 10YR	2.971	-5.44%	-5.56%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0914	+2.20%	+2.00%
EUR/GBP	0.8758	+0.25%	-0.97%
GBP/USD	1.2459	+1.96%	+3.01%

Equities

US equity markets fell at the beginning of last week, with the S&P 500 and NASDAQ both closing Monday's session slightly lower. Moody's, the ratings agency downgraded its US credit rating from stable to negative, in another blow to the US fiscal system. Moody's said the downgrade came on the back of the ever-increasing government deficit and the political issues in Washington. On Tuesday, equity indices in the US surged higher for their best one-day performance since April of this year, with the S&P 500 and NASDAQ jumping 1.91% and 2.37%, respectively. The sharp increases were as a result of the US inflation data, which saw the rate of inflation slow to 3.2%. Wednesday would see more moderate gains than Tuesday, with more economic data being released. US producer prices declined by 0.5% in October, which is the single biggest drop since April 2020. However, while this news was positive, retail sales in the US declined slightly in October, which ended a six-month run of increases. As the week concluded, US equity markets continued their winning streak, with the S&P 500 and NASDAQ both posting positive weekly gains.

In Europe, equity markets would start the week on a positive note, with the FTSE 100 and Eurostoxx 50 both opening the week higher. These gains came as markets continue to monitor corporate performances in a high interest rate environment. Tuesday would see the positive sentiment continue, as the FTSE 100 and Eurostoxx both posted gains, with the Eurostoxx 50 up over 1% for the day, helped by the US inflation data released on Tuesday afternoon. Wednesday morning saw the UK inflation data released, which helped the FTSE 100 briefly reach its highest level in a month, while the Eurostoxx recorded its third straight day of gains. Thursday would then see both the FTSE 100 and Eurostoxx 50 shed some of their weekly gains, with UK listed Burberry's shares falling 10%, while in Europe equity indices were dragged lower by energy stocks. However, for the week overall the FTSE 100 closed 1.95% higher, while the Eurostoxx 50 closed 3.38% higher.

Bonds

Bond yields fell last week, after US inflation data brought yields to their lowest point in seven weeks. The inflation data, which was below analysts' expectations and well below the September rate, helped reinforce the view that the Federal Reserve has finished its rate hikes and the effects of higher interest rates are now being felt in the market. The US 10 Year yield sat between 4.4% and 4.5% for the week. The UK 10 Year Gilt fell to its lowest point since the 1st of June, due to the UK inflation data which has raised hopes that the Bank of England may begin to cut rates in 2024.

Commodities

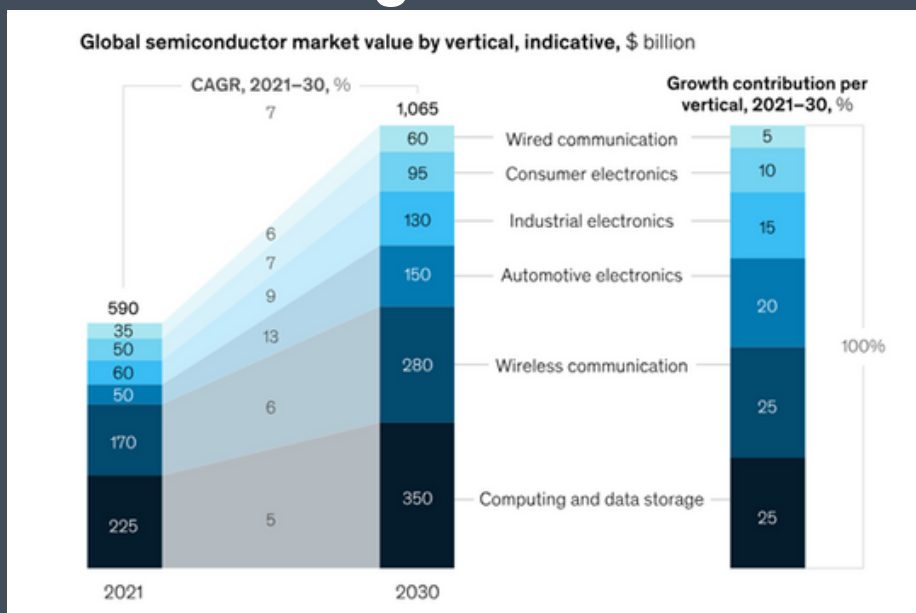
In Commodities, crude oil markets had a mixed week. After rallying at the beginning of last week, markets retreated after US crude oil inventories were far higher than analysts' expectations, jumping 3.6 million barrels, compared to the 1.8 million barrel increase expected. Along with this, Chinese oil refinery output decreased as fuel demand fell. Brent crude currently trades at \$80.62, while WTI trades at \$75.84. In metals, Gold hit its lowest level in a month last Monday, before rallying in the wake of lower inflation rates in the US. The metal currently trades at \$1,983.50.

Key Events

- 22/11/2023 - UK Autumn Statement
- 23/11/2023 - Thanksgiving (USA)



Data Insight of the Week



This week's data insight looks at the potential growth of the semiconductor industry over the next decade. It is estimated that by 2030, the semiconductor industry will be worth an approximate \$1 trillion. It is also estimated that for the next decade, 70% of the growth in semiconductors will be driven by just three sectors, these being automotive, computation and data storage, and wireless devices such as mobile phones.