

Weekly Market Review

Financial Headlines

United States

In the United States last week, the US presidential election race truly kicked off with the Iowa state caucuses. Donald Trump won more than 51% of the votes, in what was a clear sign of the support he still garners within the Republican Party. Ron DeSantis, the Governor of Florida and adversary of Trump won 21% of the caucuses' vote, while Nikki Haley, who cast herself as the clear alternative to both Trump and DeSantis won 19%. The victory by Trump was the largest ever win by voting share in Iowa, surpassing the previous record set by George W. Bush. On Sunday night, Ron DeSantis suspended his presidential campaign and endorsed Donald Trump ahead of the New Hampshire primary on Tuesday. This is a significant blow to Nikki Haley, as DeSantis' support for Trump will only help to bolster his campaign efforts.

Europe & UK

In Europe, last week the World Economic Forum was held in Davos, Switzerland. The forum took place to a backdrop of both increased economic optimism but also increased geopolitical risks. Some of the key themes of the 2024 conference included the rise of Generative AI, human longevity and climate change. Some of the major speakers at the conference were Argentine President Javier Milei and Chinese Premier Li Qiang.

In the UK, the rate of inflation for December crept up slightly to 4.0%, after recording a rate of 3.9% in November. This was the first increase in the rate of inflation since February 2023, and was primarily caused by increased prices in the alcohol and tobacco sector, which rose by 12.9% in December. This in itself was due to a rise in tobacco duty.

Ireland

Ireland's annual rate of inflation rose in December, with an annual rate increase of 4.6% and an increase from the November rate of 3.9%. The rate of core inflation, which excludes both energy and food prices grew at a rate of 5.8% in the 12 months to December. In terms of drivers of inflation, the largest increases in the 12 months to December were in the Recreation and Culture sector, as prices rose by 10.3%, with the cost of package holidays in Ireland increasing by 46.4% in 2023. Restaurant and hotels were the other growth areas in terms of prices, rising 6.6%. Ireland's inflation rate is over 2% higher than the ECB's target rate of 2%.

Asia-Pacific

The premier of China, Li Qiang visited Ireland on Wednesday, the only European country he visited apart from Switzerland, where the World Economic Forum conference was held. Ireland is one of the few countries in Europe that has a generally positive trading relationship with China, notwithstanding the geopolitical tensions that exist between China and one of Ireland's other major trade partners, the United States. In 2022, two thirds of Ireland's total exports to China were microchips, which are quickly becoming another source of tension between China and the US. Since 2015, China has invested approximately €9bn worth of Foreign Direct Investment in Ireland, creating 5,000 new jobs.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,839.81	+0.78%	+1.47%
NASDAQ	15,310.97	+1.98%	+2.00%
EuroStoxx 50	4,448.83	-0.82%	-1.61%
FTSE 100	7,461.93	-2.20%	-3.51%
ISEQ	8,845.06	+4.50%	+0.97%

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	4.130	+4.85%	+6.83%
US 2YR	4.389	+5.86%	+3.27%
German 10YR	2.3010	+7.37%	+13.46%
UK 10YR	3.9530	+4.14%	+11.70%
Irish 10YR	2.745	+11.00%	+15.14%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0897	-0.46%	-1.33%
EUR/GBP	0.8578	-0.16%	-1.11%
GBP/USD	1.270	-0.36%	-0.18%

Equities

US equity markets had a day off last Monday, as the country celebrated Martin Luther King day. Tuesday would see indices fall, as market sentiment turned towards the timing of potential interest rate cuts delayed to later in the year. Corporate earnings from major US banks and financials also dragged indices lower, even if fourth quarter earnings at banks such as Goldman Sachs were higher than anticipated. The decline would continue on Wednesday, with both major indices dropping 0.50%. The decline was attributed to hawkish comments from Fed officials regarding interest rate cuts and positive US retail data which both contributed to a view point that rate cuts will not be forthcoming in the short term. US equity markets would record back to back daily gains on Thursday and Friday, with the S&P 500 closing at a new all time high, up 0.78% for the week, while the NASDAQ also posted a weekly gain of 1.98%.

In Europe, equity markets had a poor start last week, with both the Eurostoxx 50 and FTSE 100 finishing Monday in the red. The Eurostoxx 50 closed 0.57% lower, as investors digested comments from Robert Holzmann, a member of the ECB's Governing Council. Holzmann stated that markets should not readily anticipate interest rate cuts in 2024. The German economy contracted by 0.3% in 2023 due to higher rates of inflation. In the UK, the FTSE 100 closed 0.5% lower, as stocks in the fashion and financial industries fell. On Tuesday, EU equities continued their retreat, with the Eurostoxx 50 falling 0.3%, while the FTSE 100 fell 0.5%. Markets in Europe would hit month long lows on Wednesday, as continued uncertainty regarding interest rates, and geopolitical risk in the Middle East were the main drivers of this negative sentiment. A higher inflation rate in the UK also hampered markets there. On Thursday, European markets rebounded from an overall negative week, with the Eurostoxx 50 up 1.1%. The FTSE 100 however, remained at a month long low. Friday would see EU based equities lose the momentum they had gained on Thursday, and for the week the Eurostoxx closed -0.82% lower, while the FTSE 100 posted a weekly loss of -2.20%.

Bonds

Global bond yields surged last week, driven by the rhetoric from Central Bank committee members on both sides of the Atlantic and strong economic data which may slow the interest rate cut process. The US 10 Year yield pushed past the 4.0% mark, reaching its highest level in over a month, as strong US retail data suggested that consumer spending power had not diminished. The 10 Year Yield closed at a yield of 4.13% on Friday evening. In the UK, the 10 Year Gilt hit its highest level in over a month, just shy of the 4.0% mark, before a slight retreat to its closing level of 3.9%.

Commodities

In Commodities, crude oil markets were flat for the week, as prices fluctuated between \$76 and \$79. The attacks in the Red Sea by Houthi rebels on merchant vessels pushed prices slightly higher, and lower output in parts of the United States due to the extreme weather conditions contributed to fluctuating prices. Brent Crude closed last week at \$78.60, while WTI closed at \$73.43. In Gold markets, prices fell to their lowest point in over a month thanks to a stronger US dollar and ambiguity regarding interest rates. For the week, gold prices closed at \$2,031.80.

Key Events

- 25/01/2024 - EU Deposit Facility Rate
- 26/01/2024 - US Core PCE Price Index



MAKING WAVES

The latest episode in our Seaspray- Making Waves podcast series- Reviewing 2023 and looking ahead to 2024 was released last week. There were plenty of key talking points which Danny O'Leary and Paul McGowan touched on - geopolitical risks, 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 in 2024 and beyond. Episode 5 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-5/>