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Monday
05.02.2024

Weekly Market Review

Financial Headlines

United States

In the United States last week, the Federal Open Market Committee (FOMC) had its first meeting of 2024. Analysts and investors were not anticipating any interest rate cuts, however they were more focused on the comments from chair of the Federal Reserve Jerome Powell. As was expected, interest rates were kept at the current rate of 5.50%. In his statement after the announcement, chair Powell said that the FOMC must continue to see more positive data which will give them the confidence that inflation is on a trajectory to 2%, before rate cuts take place. However, he stated that the FOMC will probably not reach a level of confidence that would enable a rate cut at their March meeting. There is now growing confidence that a rate cut could happen at the May meeting.

Europe & UK

In Europe, inflation data for two of Europe's largest economies was released last Wednesday. The year-on-year rate of inflation in Germany slowed to a rate of 2.9% for January, down from 3.7% in December. The main driver in this decline was energy and food prices. In France, the year-on-year rate of inflation slowed to 3.1%, down from 3.7% in December. Food inflation slowed to 5.7%, down from 7.2%, while energy prices accelerated by just 1.8%, compared to 5.7% in December.

In the UK, the Bank of England (BoE) announced, as expected, no movement in interest rates. Interestingly, two members of the Monetary Policy Committee voted to increase rates by 0.25 basis points, while one member voted to cut rates by 0.25 basis points, in a clear sign that sentiment is changing among MPC members.

Ireland

It is estimated that the offshore wind energy industry could be worth an additional €38bn to the Irish economy if the 2050 targets for offshore wind energy are to be met. Along with the economic bonus to the economy, the report from Wind Energy Ireland also highlights the employment opportunities that could exist if the Irish Government intervene directly in developing wind energy. In a Business as Usual (BAU) scenario, by 2040 there could be demand for 86,300 Full Time Equivalent (FTE) jobs a year in the wind energy industry. However, with Government support and intervention, that figure could rise to 146,700 FTE jobs a year.

Asia-Pacific

It was a tumultuous week in Chinese markets, as Evergrande, the world's largest indebted property developer, was ordered by a Hong Kong court to be wound up. The decision was made after the company failed to come up with an effective restructuring plan for its international debts and creditors. However, while the decision was made by a Hong Kong court, almost all of Evergrande's assets and liabilities are located in mainland China, where decisions made by non mainland courts normally hold little sway. For Evergrande, it is the culmination of three years of strife, which has caused the company to rack up approximately $332bn in unpaid liabilities.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	4,958.61	+1.30%	+3.96%
NASDAQ	15,628.95	+1.10%	+4.11%
EuroStoxx 50	4,654.55	+0.46%	+2.94%
FTSE 100	7,615.54	-0.32%	-1.52%
ISEQ	9,111.48	+1.10%	+4.01%

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	4.024	-2.79%	+4.09%
US 2YR	4.372	+0.34%	+2.87%
German 10YR	2.2310	-2.87%	+10.01%
UK 10YR	3.9525	-0.44%	+11.68%
Irish 10YR	2.654	-2.71%	+11.33%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0784	-0.53%	-2.35%
EUR/GBP	0.8536	-0.04%	-1.59%
GBP/USD	1.2630	-0.51%	-0.73%

Asset Class Review

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Equities

US equity markets continued their positive form, with Monday seeing both the S&P 500 and NASDAQ finishing with new record highs. Momentum would stall on Tuesday, with US indices booking slight losses. Earnings for Microsoft and Alphabet were released, with Alphabet shares tumbling over 7% on the back of poor advertising revenue figures. Microsoft posted positive earnings overall, yet saw their share price dip by 2.5%. On Wednesday, the Federal Reserve Interest rate decision was announced, with Jerome Powell stating that a March rate cut was unlikely. The S&P 500 fell 1.61%, while the NASDAQ fell by 2.23% after the announcement. On Thursday, more earnings were announced. Meta announced a $50bn share buyback, while also announcing a quarterly dividend for the first time in history. Amazon also performed well, with Q4 revenues increasing by 14% to $170bn. Apple saw its share price fall by 4% after reporting a 13% decline in Chinese sales. On Friday, after positive earnings and non-farm payroll data, the S&P 500 finished the week 1.30% higher, with the NASDAQ closing 1.10% higher.

In Europe, equity markets were muted at the start of last week. The Eurostoxx 50 finished 0.08% ahead, while the FTSE shed 0.03%. Tuesday in Europe would see equity markets gain ground after a muted Monday session. The Eurostoxx 50 reached a 23 year high, while the FTSE 100 hit a three week high, thanks to a slew of positive corporate earnings. EU GDP data for Q4 of 2023 were released on Tuesday, showing the bloc avoided a technical recession. Wednesday saw markets pause in anticpation of the FED rate decision, and particularly the outlook comments from FED chair Powell. On Thursday, EU indices reacted positively to the Euro Area inflation rate for January, which fell to a rate of 2.8%, the lowest since March 2022. German and French inflation rates were also lower for January. In the UK, the FTSE 100 made gains on the back of the Bank of England rate decision, where there was a divergence in members' views on interest rate movements. For the week, the Eurostoxx 50 finished 0.46% higher, while the FTSE 100 closed 0.32% lower.

Bonds

Global bond yields fell marginally last week, in spite of announcements from the Federal Reserve and Bank of England that rates wouldn't be cut in the very short term. In the US, the 10 year yield retreated from over 4% on Monday last, increasing slightly after the Fed decision, finishing the week at 4.024%, due to US non-farm payroll data that showed a resilient US economy, which added 353,000 jobs in January, well above forecasts of 180,000. In the UK, the 10 year Gilt reacted to the US jobs data, and jumped from 3.7% to its close of 3.95% on Friday.

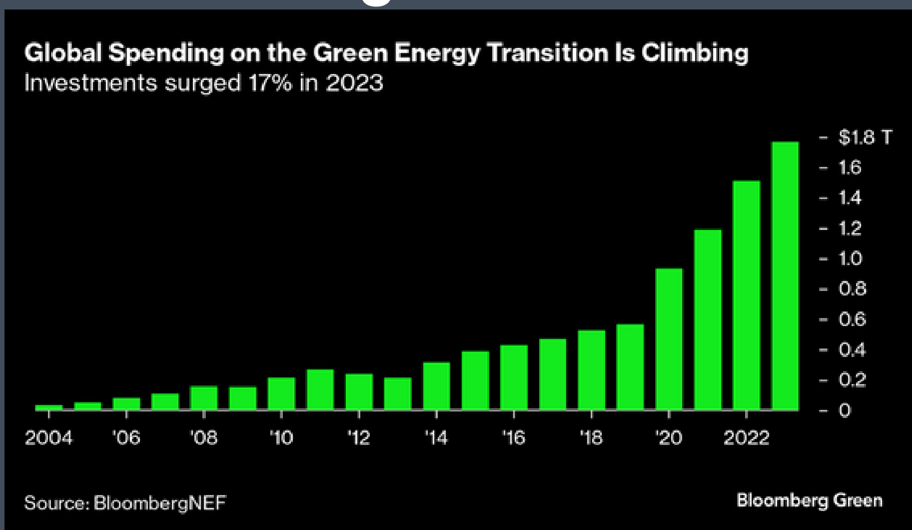
Commodities

In Commodities, crude oil markets saw a pull back in prices last week. The drone attack on a US base in the Middle East steered prices higher. However, poor manufacturing data from China weighed on prices. Comments from the International Energy Agency that global oil demand will increase in 2024 pushed prices higher, however signs of defusing tensions in the Levant region pulled prices lower. Brent Crude closed at $77.30, while WTI closed at $72.28. In Gold markets, prices fell on the back of the positive US non-farm payroll data, showing a strong jobs market and tempering bets of early rate cuts by the Fed.

Key Events

- 08/02/2024 - US Initial Jobless Claims
- 09/02/2024 - German CPI (Jan)
- 10/02/2024 - Chinese New Year

Data Insight of the Week



This week's Data Insight highlights how Global spending on Green Energy increased by 17% last year, with a total of $1.8 trillion of investment pumped into the sector. However, while $1.8 trillion was spent on Green Energy, this does not include the extra $1 trillion that was spent to build out clean energy supply chains and almost $900bn in financing. Therefore, the total figure of funding and spending in this space in 2023 was $2.8 trillion.

https://seasprayprivate.ie/global-spending-on-the-green-energy-transition-is-climbing/