

## Weekly Market Review

### Financial Headlines

#### United States

The United States' budget deficit is estimated to increase by almost two thirds within the next 10 years, according to the Congressional Budget Office (CBO). This would mean the budget deficit would increase from its current level of \$1.6tn to \$2.6tn. The main driver of this increased deficit is attributed to interest payments on the total US government debt. The U.S. government's national debt recently topped \$34 trillion, a new record. The CBO also estimated in its report that the total US public debt pile would increase above 100% of Gross Domestic Product (GDP) in 2025, and would increase to 116% of total GDP by 2034. In an election year, the estimates released will no doubt create much debate on taxes and spending, however no leading candidate has mentioned tax increases as part of their campaign.

#### Europe & UK

**In Europe**, fossil fuel usage in the Bloc fell by unprecedented levels in 2023. Coal and gas emissions fell by 19% in 2023, as coal usage fell by a record 25.8% and gas usage also fell by a record 15.4%. Renewable energy sources have replaced these traditional forms of power, with renewable energy accounting for 44% of EU power usage. Of huge significance, is the fact that - for the first time ever - wind energy is actually now producing more electricity across the EU than gas.

**In the UK**, retail sales growth slowed in January, attributed to the post Christmas blues and continued cost of living issues. Retail sales grew at an annual rate of 1.2% in January, below the December figure of 1.7%, and below the three month average of 1.9%.

#### Ireland

It is estimated that the Irish economy will grow at a reasonable rate over the next two years, according to EY. It is anticipated that Gross Domestic Product (GDP) will rise by 2.2% in 2024, and rise by 3.8% in 2025. Along with this rise in GDP, employment in Ireland is expected to grow by 1.6% in 2024 and 1.8% in 2025. There is an expectation that the Irish economy will outperform economies in both Europe and the United States.

In Climate news, the ESB opened a storage facility in Dublin which will be used to store excess renewable energy. The Poolbeg site will have a capacity of 75MW for fast acting energy storage.

#### Asia-Pacific

Despite restrictions on the development of high end semiconductors by the US, Chinese technology firms are now expected to make next generation smartphone processors within the next year. SMIC, the largest producer of semiconductors in China, has built two new production lines in its Shanghai facility, which will be used to manufacture and produce chips designed by Huawei, the largest indigenous smartphone maker in China.

In economic news, consumer prices in China fell at the fastest annual rate in 15 years. The consumer price index (CPI) fell 0.8% in January, which was the fourth straight month of declines, as the government continues to struggle in kickstarting the economy.

### Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,026.61	+1.57%	+5.38%
NASDAQ	15,990.66	+2.45%	+6.52%
EuroStoxx 50	4,715.87	+1.28%	+4.30%
EuroStoxx 600	484.83	+0.06%	+1.22%
FTSE 100	7,572.58	-0.78%	-2.08%
ISEQ	9,251.00	+0.83%	+5.60%

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	4.177	+3.81%	+8.04%
US 2YR	4.486	+2.61%	+5.56%
German 10YR	2.3730	+6.46%	+17.01%
UK 10YR	4.1015	+4.60%	+15.89%
Irish 10YR	2.814	+4.53%	+18.04%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0782	-0.01%	-2.37%
EUR/GBP	0.8542	+0.02%	-1.52%
GBP/USD	1.2619	-0.02%	-0.82%

## Equities

**US equity markets** had a poor Monday session, after Chair of the Federal Reserve Jerome Powell quashed any remaining hope of an early interest rate cut in 2024. The positive non-farm payroll data for January compounded this sentiment. The S&P 500 fell 0.32%, while the NASDAQ fell 0.20% on Monday as a result. On Tuesday, Eli Lilly became the most valuable healthcare company in the world, with a market cap of over \$600bn, after forecasting that 2024 profits would be higher than estimated. Wednesday saw US indices perform well, aided by Meta, NVIDIA and Microsoft, who all posted gains of over 2% on the day. Thursday saw minimal gains for both indices, with Walt Disney shares outperforming the market, jumping 11.5%. On Friday, both indices hit new record highs, with the S&P 500 passing the 5,000 mark. Once again mega caps like Amazon and Alphabet helped push the indices higher. For the week, the S&P 500 finished 1.57% higher, while the NASDAQ closed 2.45% higher.

**In Europe**, equity markets reacted to the comments made by Fed Chair Jerome Powell and US jobs data on Monday, with the Eurostoxx 50 falling by 0.30%, while the broader STOXX 600 slipped 0.05% lower. In the UK, the FTSE 100 fell slightly, as revised employment levels for the three months leading up to November came in at 3.9%, lower than the initial figure of 4.1%. On Tuesday, markets in Europe responded positively after a slew of economic and corporate data. In corporates, UBS announced a \$1bn share buyback, while outperforming earnings estimates for Q4. In the UK, the FTSE 100 gained 0.9% on Tuesday, thanks to gains led by BP, who gained 5.5% after positive earnings. On Wednesday, EU indices retreated, with TotalEnergies, the EU's largest energy producer by market cap falling 3.2% after poor net income in Q4. In the UK, the FTSE 100 fell over 0.5% due to declines in mining and mineral stocks. The Eurostoxx 50 and STOXX 600 both hit new highs on Thursday, while the FTSE 100 declined on the back of poor pharma and biotech earnings. Overall, the Eurostoxx 50 finished 1.28% higher for the week, while the STOXX 600 gained 0.06% and the FTSE 100 declined 0.78%, in a poor week for UK markets.

## Bonds

Global bond yields rallied last week, in response to the comments made by Federal Reserve Chair Jerome Powell quashing hopes of interest rate cuts in early 2024. The US 10 Year yield gained significant ground, having surged from 3.8% on February 1st to over 4.17% by the end of last week. Along with Federal Reserve comments, positive services PMI's for January also highlighted a continued resilience in the US economy, in spite of high interest rates remaining in the short term, and negate the need for immediate cuts in borrowing costs. In the UK, the 10 Year Gilt passed the 4.1% last week.

## Commodities

In Commodities, crude oil prices rose last week, as markets continued to analyse the geopolitical uncertainty in the Middle East and Levant regions. The US completed retaliatory airstrikes against militias in Iraq, Syria and Yemen, while also trying to reduce tensions with Iran. Rejection of a ceasefire by Israel stoked fears of a prolonged conflict, pushing prices higher mid week. Brent crude is currently priced at \$81.90, while WTI is priced at \$76.84. In Gold markets, prices experienced a pull back, as immediate interest rate cut hopes were dampened. Higher rates have negative impact on the cost of holding a bullion.

## Key Events

- 13/02/2024 - US Inflation Data
- 14/02/2024 - UK Inflation Data
- 16/02/2024 - US Michigan Consumer Sentiment



## Data Insight of the Week



Seaspray Private is delighted to present the second video in our new Data Insights series. This particular insight pertains to the rise of Generative Artificial Intelligence, and the potential revenues that the sector could produce. You can watch this video and find more information on our data insights by clicking the link below, or by visiting our LinkedIn page.

<https://www.youtube.com/watch?v=ynRGyzouQxY>