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Monday
19.02.2024

Weekly Market Review

Financial Headlines

United States

The United States annual rate of inflation slowed once again in January, to a rate of 3.1%. A Bloomberg poll had anticipated a rate of 2.9%, lower than what was reported, however the figure is lower than the 3.4% rate recorded in December. This will be used as one of the chief barometers by the Federal Reserve in making their next interest rate decision. In terms of drivers of inflation, energy costs fell 4.6% on an annual basis, while food prices accelerated by 2.6%, slightly lower than in December. Annual Core inflation, which strips out food and energy prices, came in at a rate of 3.9%, again higher than the estimated rate of 3.7% but unchanged from the December rate. While Federal Reserve Chair Jerome Powell has stated the Fed may cut rates three times this year, the current data may slow down the process of cutting borrowing costs.

Europe & UK

In Europe, Euro zone GDP figures for the final quarter of 2023 were released. The bloc avoided a technical recession, however growth was flat at 0% for the final months of 2023. The flat growth rate was attributed to the German economy contracting by 0.3% while Italy and Spain both expanded by 0.2% and 0.6% respectively. While there was no growth in Q4, employment in the Euro zone rose by 0.3% in Q4 and 1.3% year over year.

In the UK, there were positive inflation signs, as the annual rate of inflation for January remained unchanged at 4.0%, surprising the market expectation of 4.2% and increasing confidence that the Bank of England can begin to cut interest rates in the earlier quarters of 2024. Core inflation, which strips out volatile food and energy prices came in at 5.1%, again below market expectations.

Ireland

Ireland's annual rate of inflation slowed to 4.1% in January, down from a rate of 4.6% in December, and the second lowest rate of inflation recorded in the past 12 months. In terms of inflation drivers, prices for recreation and culture topped the list, with prices increasing by 9.3% in January, while restaurants and hotels increased 7.2% in January, compared to a rise of 6.6% in December. The CSO also announced that landline phones and digital cameras will no longer be included in the CPI basket, while air fryers, smart watches and disposable e-cigarettes have been added to the basket that determines the overall change in prices.

Asia-Pacific

European investors have in recent weeks increased their exposure to China by investing in luxury goods indices, in an attempt to capture returns from a possible economic recovery without the need to invest directly in the Chinese stock market. The Stoxx Luxury 10, which is made up of stocks such as LVMH, Christian Dior and Ferrari, and whose overall constituents derive 26% of their earnings from China has risen 9.3% this year. There are early signs that the flagging Chinese economy, which last year grew by one of its slowest paces in decades and has suffered with persistent deflation, will recover, with European stocks offering a safer way of getting exposure to China.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,005.57	-0.46%	+4.94%
NASDAQ	15,775.65	-1.48%	+5.09%
EuroStoxx 50	4,765.65	+0.69%	+5.40%
EuroStoxx 600	491.59	+1.11%	+2.63%
FTSE 100	7,711.71	+1.78%	-0.28%
ISEQ	9,329.34	+0.65%	+6.49%

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	4.281	+2.48%	+10.73%
US 2YR	4.644	+3.52%	+9.27%
German 10YR	2.3940	+0.59%	+18.05%
UK 10YR	4.1440	+1.42%	+17.10%
Irish 10YR	2.790	-1.93%	+17.03%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0774	-0.06%	-2.44%
EUR/GBP	0.8549	+0.15%	-1.44%
GBP/USD	1.2598	-0.20%	-0.98%

Asset Class Review

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Equities

US equity markets lagged at the beginning of last week, as technology stocks, which make up the biggest weighting in both the S&P 500 and NASDAQ underperformed. The S&P 500 closed 0.1% lower while the NASDAQ slid 0.3% lower. Tuesday would see US inflation data released, with the annual rate of inflation for January slowing to 3.1%. Interest rate sensitive technology stocks were most affected by this, and subsequently the S&P 500 and NASDAQ both closed Tuesday lower. Arm Holdings fell 19.5% on Tuesday, after gaining over 29.3% in the previous session due to projected AI growth. On Wednesday, US stocks rebounded after the bruising session on Tuesday. The S&P 500 gained 0.9%, while the NASDAQ climbed 1.3%. Tech stocks NVIDIA and AMD gained 2.4% and 4.2% respectively. Indices also made gains on Thursday, with 11 out of 12 S&P sectors outperforming. For the week, US indices finished lower on the news that US Producer Prices increased by more than forecast in January, highlighting the sticky nature of inflation, fueling concerns that the FED will continue to hold off on cutting rates.

In Europe, Monday was another record setting day for European indices. The Eurostoxx 50 reached a new 23 year high, while the broader STOXX 600 closed at a new record high on Monday. Indices were aided by financial companies such as AXA, as well as luxury goods conglomerate LVMH, who added almost 2% on Monday. In the UK, the FTSE 100 was muted on Monday. On Tuesday, European indices were pulled lower after the release of the US inflation data for January, which was a higher rate than anticipated. EU and UK equities responded well last Wednesday, after the US inflation sell off on Tuesday. The Eurostoxx 50, Stoxx 600 and the FTSE 100 all posted gains of between 0.4% and 0.7%. On Thursday, EU indices built on the Wednesday gains due to solid earnings from Commerzbank and Airbus, while in the UK the FTSE 100 climbed thanks to the UK GDP data that fueled hopes of an early interest rate cut. For the week, EU and UK indices finished in the green, with the Eurostoxx 50 closing 0.69% higher, the STOXX 600 closing 1.11% higher and the FTSE 100 closing 1.78% higher.

Bonds

Global bond yields increased last week, on the back of US inflation data that came in higher than anticipated. The US 10 year yield jumped from 4.1% to over 4.33% on Tuesday following the data release. The higher than expected rate of inflation, along with comments from Central Bank officials has once again dampened the sentiment around interest rate cuts in the first half of 2024. The 10 year yield closed at 4.281%. Meanwhile, in the UK the 10 Year Gilt had a flat week, spiking after the US inflation data before falling significantly after the UK inflation data provided hope that a rate cut could happen sooner rather than later.

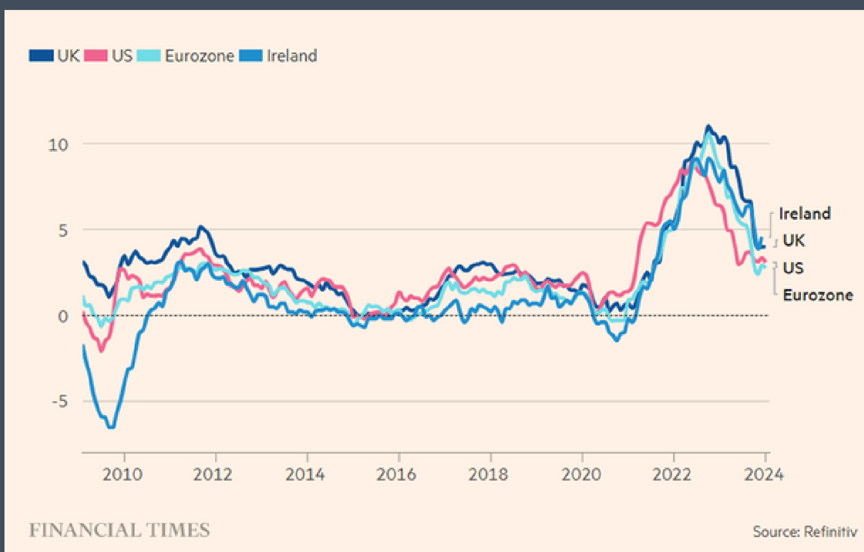
Commodities

In Commodities, crude oil prices increased marginally last week. US crude oil inventories increased by 12 million barrels, compared to an estimated increase of 2.6 million, which pushed prices lower on Wednesday due to the increased supply. The International Energy Agency also lowered their oil production growth forecast for 2024. Poor US retail data on Thursday helped push prices up, as the US dollar weakened on the back of the data. Brent Crude closed at $83.30, with WTI closing at $79.19. In Metals, Gold prices fell after the US inflation data, falling to a two month low before recovering due to US economic data.

Key Events

- 19/02/2024 - Washington's Birthday (US Holiday)
- 22/02/2024 - EU CPI (January)
- 23/02/2024 - German CPI (Q4)

Data Insight of the Week



This week's Data Insight looks at the wider view on inflation over the past 14 years. From the negative rates back in 2009 and 2010, to the recent surge in inflation experienced in 2022 and early 2023, where inflation rates in Ireland and the UK topped 10% and the US hit a rate of 9.1%. However, due to the intensive rate hike cycle conducted by Central Banks, we can see a gradual decline in the rate of inflation over the past 9 months.

https://seasprayprivate.ie/inflation-rate-trends/