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Weekly Market Review

Financial Headlines

United States

In the US last week, chair of the Federal Reserve Jerome Powell shed some more light on the Fed's perception of the economy and the battle against inflation. In an address in Stanford, Powell said that while the rate of inflation has slowed significantly in the past 12 months, the outlook was still uncertain. He cautioned that lowering interest rates too quickly or by too much could result in a "reversal of the progress" seen on inflation and could require even tighter monetary policy. However, the overall view from members of the Federal Open Market Committee (FOMC), was that the lowering of interest rates would be appropriate in 2024. Apart from this, Powell also touched on the strength of the US economy in the face of higher rates, citing growth of 3% in 2023 and the creation of over 3 million jobs in the calendar year in the US.

Europe & UK

In Europe, inflation within the Eurozone slowed to a rate of 2.4% in March, lower than the Bloomberg poll of 2.6%. The March figure is tied with November 2023 as the slowest increase in consumer prices since July 2021, and was aided by a decline of 1.8% in energy prices and a slower increase in the rate of food, alcohol and tobacco prices. Services inflation remained at 4.0%. On a monthly basis, consumer prices increased by 0.8%, having risen by 0.6% in February.

In the UK, after almost two years of contraction, manufacturing in the country returned to growth, according to the latest PMI data. UK manufacturing PMI's were revised to 50.3 in March, up from 47.5 in February. Anything above 50 points means expansion and anything below 50 means contraction in an industry.

Ireland

The Ireland Strategic Investment Fund (ISIF), which is a part of the National Treasury Management Agency (NTMA), last week announced it would be investing in three separate climate related investments, totaling €280mn. The largest share of this will be invested in the Copenhagen Infrastructure V fund, owned by Copenhagen Infrastructure Partners (CIP). CIP is the largest fund manager in the world dedicated to greenfield renewable energy, and is currently developing a 500MW offshore wind farm off the coast of County Louth. In other news, the ISEQ hit its highest level on record last week, passing levels not seen since February 2007.

Asia-Pacific

Last week, lawmakers in the US announced plans to stop index funds based in the US from investing in Chinese companies, as the two superpowers continue to try and assert their authority over the other. The Bill is entitled the No China in Index Funds Act, with proposed penalties for violation of the Act including fines of up to $250,000. This bill is one of a number proposed that will target Chinese companies, with one aimed at ending tax breaks for Chinese equities and another that would restrict sanctioned Chinese companies from accessing capital markets in the US. These proposed bills are part of an attempt by the White House to limit the amount of US private investment entering China.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,204.34	-1.07%	+9.11%
NASDAQ	16,248.52	-1.37%	+8.24%
EuroStoxx 50	5,014.75	-1.97%	+10.91%
EuroStoxx 600	506.55	-1.62%	+5.75%
FTSE 100	7,911.16	-0.62%	+2.30%
ISEQ	10,050.54	+0.39%	+14.73%

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	4.400	+4.52%	+13.81%
US 2YR	4.751	+2.65%	+11.79%
German 10YR	2.4040	+4.86%	+18.54%
UK 10YR	4.10	+3.02%	+15.85%
Irish 10YR	2.834	+3.36%	+18.88%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0835	+0.39%	-1.89%
EUR/GBP	0.8572	+0.34%	-1.18%
GBP/USD	1.2636	+0.06%	-0.68%

Asset Class Review

Equities

In the US, equity markets had another shortened week due to the Easter Break, and were shut on Monday. On Tuesday, equity indices in the US retreated, as market sentiment began to shift around the timing of the Federal Reserve's first rate cut. This shift in sentiment came as a result of strong US economic data, both in job openings which increased by more than anticipated, and factory orders which also increased. There were minimal gains on Wednesday, with the S&P 500 closing 0.1% higher, while the NASDAQ gained 0.2%. On Wednesday, Federal Reserve Chair Jerome Powell commented on inflation and interest rates. Powell stated that while positive steps have been taken on inflation rates, there was still caution around the timing and the amount of interest rate cuts. On Thursday, US equities traded lower following Powell's speech and awaited the release of non farm payroll data on Friday. On Friday, US non farm payrolls data was released with 303,000 jobs added in March. This was higher than anticipated and highlighted a resilient US labour market. US indices responded well to this news, however for the week overall the S&P 500 closed 1.07% lower and the NASDAQ closed 1.37% lower after the global sell off on Friday.

In Europe, equity markets reopened after the Easter break with a negative session on Tuesday. In Europe, the Eurostoxx 50 fell 0.81%, while the STOXX 600 fell 0.80%. These declines came after the strong US economic data releases, which dampened some hopes around the timing of future interest rate cuts. In the UK, the FTSE 100 also fell, though not as sharply as its EU counterparts, thanks to positive gains in the mining sector. On Wednesday, EU equities gained on the back of positive inflation data from the Eurozone, where the rate of inflation slowed to 2.4%. The Eurostoxx 50 gained 0.54%, while the STOXX 600 gained 0.29%. In the UK, the FTSE 100 finished above the flatline, up 0.03%. On Thursday, European indices were mostly flat in a quiet trading day. The FTSE 100 meanwhile gained almost 0.50%, reaching levels not seen since February 2023. For the week however, the Eurostoxx 50, STOXX 600 and FTSE 100 all finished in negative territory, down between 0.62% and 1.97%.

Bonds

Global bond yields increased last week, after economic data from the US slightly dampened hopes on the potential timing of the Federal Reserve's first interest rate cut. The higher than expected job openings, and increased factory orders pointed to a resilient US economy, which may stay the Fed's hand when it comes to cutting rates in the coming months. However, the general consensus still remains that the first rate cut will come in June, with the CME FedWatch Tool showing a 59.8% chance of a 0.25bps cut in June. In the UK, the 10 Year Gilt increased thanks to the US data, along with positive UK manufacturing data.

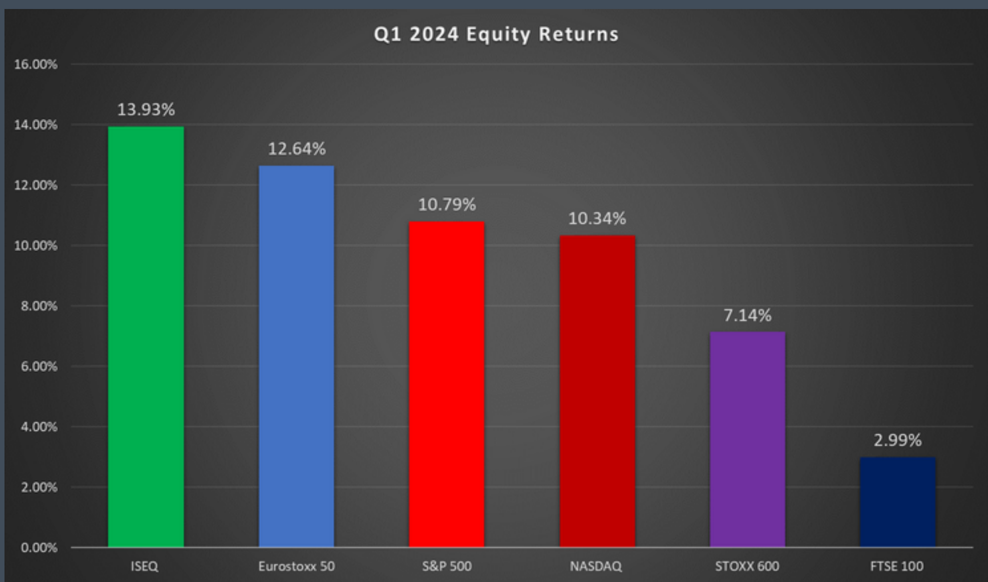
Commodities

In Commodities, crude oil prices increased to their highest level since October 2023 following OPEC+ members continuing their output cuts. The fear that the conflict in the Middle East could soon involve Iran also increased prices. Strong economic data from the US, with more job openings and high factory orders also buoyed prices as the demand outlook increased. Brent Crude closed at $90.86 per barrel, while WTI closed at $86.77 per barrel. In metals, Gold hit another new high last week, reaching $2,329, as the comments from Jerome Powell dampened sentiment around the timing of interest rate cuts.

Key Events

- 11/04/2024 - ECB Interest Rate Decision
- 12/04/2024 - UK GDP (MoM)

Data Insight of the Week



This week's Data Insight looks at the success of the ISEQ, Ireland's main equity index, over the course of Q1 2024. The ISEQ has returned 13.93% so far in 2024, outperforming the US' S&P 500 and NASDAQ along with both major EU indices and the UK's FTSE 100. The insight also highlights the companies responsible for this exceptional rally.

https://seasprayprivate.ie/the-iseq-index-a-focus-on-its-successful-year-to-date-performance/