

Weekly Market Review

Financial Headlines

United States

The big news in the US last week was the Federal Open Market Committee's (FOMC) April meeting. As expected, there was no change to the interest rate, with the rate staying at its multi-decade high of 5.50%. However, the FOMC highlighted in its statement after the announcement that inflation remained too high and in the words of Fed chair Jerome Powell, "the path forward is uncertain." Powell also stated in his opening address that it will take longer for the Federal Reserve to gain confidence that inflation is moving towards its 2% goal before commencing interest rates cuts. He also acknowledged the risk of reducing rates too soon which could result in a spike in inflation. However, Powell did offer some hope to markets, as he ruled out another rate hike as the next course of action for the Federal Reserve.

Europe & UK

In Europe, inflation and Gross Domestic Product (GDP) data was released for the Euro Area last week. The annual inflation rate for the Euro Area remained at 2.4% for April, the same as March. Food, alcohol and tobacco inflation increased by 2.8%, higher than the March rate of 2.6%, while services inflation slowed in April compared to March. Core inflation, which strips out food and energy prices, slowed to 2.7%, compared to 2.9% in March. In GDP, the Eurozone economy grew by 0.3% in Q1 2024, above estimates of 0.1%, making it the fastest growth rate since Q3 2022.

In the UK, according to the OECD's May Economic Outlook, the UK is expected to grow at a slower rate than almost all of the G20. GDP growth for 2024 is estimated to be 0.4%, while in 2025 growth is estimated to be 1%, joint lowest of the G20.

Ireland

Early estimates from the Central Statistics Office (CSO) showed that Gross Domestic Product (GDP) grew by 1.1% in Q1 2024, bouncing back from the 3.4% contraction seen in Q4 2023. The estimated growth in GDP was attributed to the Information and Communication sector, as many multinationals in this space call Ireland their home. In other news, the Sustainable Energy Authority of Ireland (SEAI) last week announced that emissions from energy related industries fell to their lowest level in three decades in 2023. Along with this, a record level of wind generated power was installed in 2023, enough to power 115,000 extra homes.

Asia-Pacific

The OECD last week unveiled its May Economic Outlook, in which it estimates that the Chinese economy will grow by less than the 5% target set by the Chinese Communist Party (CCP), easing to 4.9% before slowing once again in 2025 to 4.5%. The outlook states that while monetary policy has been more supportive of the economy in recent months, consumer spending and consumption has been dampened due to excess savings after the pandemic. Investment in the property market also continues to decline, which will also put pressure on overall growth. The OECD growth figures are higher than those of the IMF, who stated in April that the Chinese economy would grow by 4.6% in 2024 and 4.1% in 2025.

Market Movers

| Equity Indices | Value | Weekly Change | YTD Change |
|----------------|-----------|---------------|------------|
| S&P 500 | 5,127.79 | +0.40% | +7.50% |
| NASDAQ | 16,156.33 | +1.47% | +7.63% |
| EuroStoxx 50 | 4,921.48 | -1.96% | +8.85% |
| EuroStoxx 600 | 505.53 | -0.78% | +5.54% |
| FTSE 100 | 8,213.49 | +0.50% | +6.21% |
| ISEQ | 10,082.22 | +0.65% | +15.09% |

| 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 | 4.509 | -3.30% | +16.63% |
| US 2YR | 4.806 | -3.75% | +13.09% |
| German 10YR | 2.4910 | -3.34% | +22.83% |
| UK 10YR | 4.2600 | -2.49% | +20.37% |
| Irish 10YR | 2.855 | -3.97% | +19.76% |

| FX | Value | Weekly Change | YTD Change |
|---------|--------|---------------|------------|
| EUR/USD | 1.0692 | +0.64% | -2.59% |
| EUR/GBP | 0.8573 | +0.08% | -1.16% |
| GBP/USD | 1.2544 | +0.56% | -1.41% |

Equities

In the US, equity markets began last week with a positive Monday session. The S&P 500 and the NASDAQ both gained over 0.30%, in a week of more Q1 earnings announcements and a Federal Open Market Committee meeting. On Tuesday, Amazon released its earnings, with the tech and delivery giant beat forecasted revenues, with first quarter sales rising to \$143.3bn and net income tripling to \$10.4bn. Shares climbed 2% after the earnings call. However, the S&P 500 and NASDAQ both closed lower on Tuesday. On Wednesday, the Federal Open Market Committee emphasised that interest rate cuts were not anticipated in the short term, with the first cut now projected to occur towards the end of 2024. In equities, markets were down slightly, with the S&P 500 and NASDAQ falling 0.3%. On Thursday, equities rebounded significantly, responding to Jerome Powell's view that an interest rate hike was not the next course of action for the Fed. The rally would continue on Friday thanks to Apple's positive earnings, and for the week the S&P 500 and NASDAQ both closed in positive territory, up 0.40% and 1.47% respectively.

In Europe, equity markets on the continent had a negative Monday session last week, pulled lower by economic data sets. German inflation increased at a rate of 2.2% in April, the same as in March. Meanwhile, in the UK the FTSE 100 reached another record high, closing 0.4% higher. On Tuesday, equity markets in Europe finished lower on the back of the Euro Area inflation data, which slowed less than expected. The Eurostoxx 50 fell 1.2%, while the STOXX 600 retreated 0.6%. In the UK, the FTSE 100 remained elevated, helped by the positive earnings call from HSBC, the country's largest bank, whose shares rose 4% after their release. European markets were closed on Wednesday for May Day, however in the UK the FTSE 100 closed 0.3% lower, as Shell dropped 1.5% due to downward pressure on oil prices. Thursday would see EU indices trade lower, as markets digested the Federal Reserve rate announcement, while the UK's FTSE 100 reached yet another record level. For the week, the Eurostoxx 50 and STOXX 600 closed 1.96% and 0.78% lower respectively, while the UK's FTSE 100 closed 0.50% higher.

Bonds

Global bond yields retreated last week, as the Federal Reserve announced it would be holding interest rates at current levels and that a rate cut would not be the next move as there has been a lack of further progress toward the Committee's 2% inflation objective. However, Jerome Powell also stated that a rate hike was also unlikely. Inflation has remained stubbornly elevated in the US so far in 2024, above European and UK rates. The US 10 Year Yield closed at 4.509% on Friday. In the UK, the 10 Year Gilt tracked its US counterpart, remaining subdued following the FOMC meeting.

Commodities

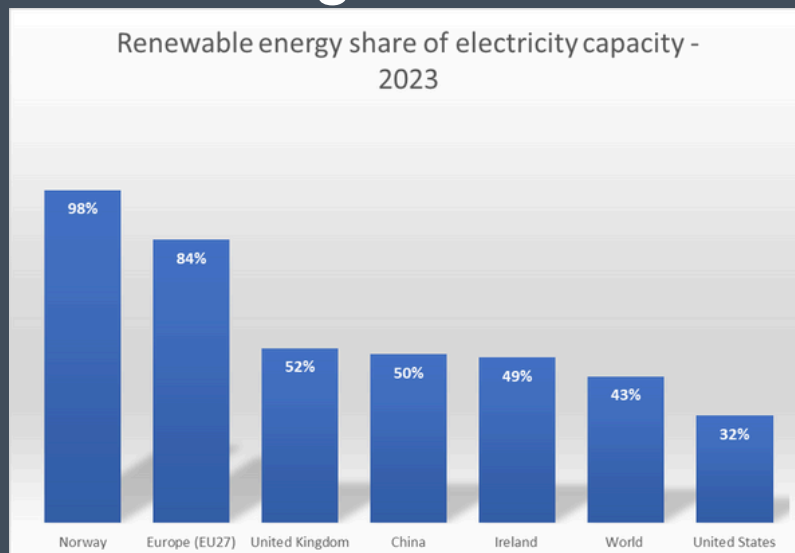
In Commodities, crude oil markets retreated last week, hitting their lowest prices in nearly two months due to the hopes that a ceasefire could be agreed between Israel and Hamas, with Egypt leading efforts to broker a deal between the sides. Along with this, US crude oil inventories jumped drastically the week previous, rising by 7.3mn barrels compared to the expected 2.3mn barrel decline. Production of crude oil in the US also hit a three and a half year high last week. Brent crude closed at \$82.82, while WTI closed at \$77.99. In metals, Gold prices dropped as a consequence of the Federal Reserve higher for longer mantra.

Key Events

- 09/05/2024 - UK Bank of England Interest Rate Decision
- 10/05/2024 - UK GDP Growth Rate (YoY)



Data Insight of the Week



This week's Data Insight looks at the major economies globally who have made an impact on the overall energy share of renewables electricity capacity. There is also a focus on week 3 of Q1 2024 Corporate Earnings where the big hitters this week were Amazon and Apple.

<https://seasprayprivate.ie/renewable-capacity-growth-and-week-three-of-q1-2024-corporate-earnings/>