

Weekly Market Review

Financial Headlines

United States

The Biden administration last week revoked the export licenses for two of the largest producers of semiconductors in the country, which allowed them to trade with Chinese telecoms companies. Intel and Qualcomm both had their export licenses revoked, meaning they can no longer supply Huawei, the Chinese smartphone and telecommunications giant, with semiconductors. The move is the latest by the White House to stem the growth of Chinese telecommunication companies, who rely heavily on imported semiconductors from both the US and Europe. Officials in the US believe Huawei helps the Chinese Government engage in cyber espionage around the world. In recent months, Huawei also began developing its own advanced semiconductors, which could negate the need for imported chips.

Europe & UK

In Europe, following the Swiss Central Bank interest rate cut two weeks ago, the Swedish Central Bank last week cut rates for the first time in eight years, as the divergence between European and US monetary policy becomes more apparent. The 0.25 percentage point cut leaves Sweden's main interest rate at 3.75%. The cut comes ahead of the European Central Bank's meeting next month, where a rate cut could be likely.

In the UK, the Bank of England's Monetary Policy Committee (MPC) had its May meeting last week. There was no change in the interest rate, keeping rates at multi decade highs. However the MPC did indicate the BoE would cut rates in the summer if the rate of inflation remained under control. The MPC also anticipate inflationary pressures to fade "slightly faster" than expected.

Ireland

Wind generation for April 2024 was the second highest on record for the month of April, with 1,076GWh of power generated. Overall, wind energy accounted for 32% of total power generation in Ireland in April, bringing the year to date figure for wind generation in Ireland to 38%. Meanwhile, annual inflation for April came in at a rate of 2.6%, lower than the annual rate for March and the lowest annual rate of inflation recorded since July 2021. Prices for food and non-alcoholic beverages slowed to 2.7%, compared to 3% in March, while recreation and culture prices slowed to 5.2% compared to 8.3% in March. Annual Core inflation stood at 3.5%.

Asia-Pacific

Trade in the world's second largest economy, China, returned to growth in April with both exports and imports increasing, boosted by high end manufacturing. The value of exports from China increased by 1.5% year-on-year in April, to a level of \$292.45bn, beating market forecasts and rebounding from a fall of 7.5% in March. Meanwhile, imports to China increased 8.4% year-on-year, far exceeding market estimates of 5.4% and a reversal on March's 1.9% fall in imports. In terms of trade growth to other countries, so far in 2024 exports to America rank the highest, increasing 9.3%, while imports increased the most from India, jumping 14.9%. Imports of data processing equipment rose 49.9% so far in 2024.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,222.68	+1.33%	+9.49%
NASDAQ	16,340.87	+0.55%	+8.86%
EuroStoxx 50	5,085.08	+3.01%	+12.47%
EuroStoxx 600	520.76	+2.78%	+8.72%
FTSE 100	8,433.76	+2.97%	+9.06%
ISEQ	10,000.85	-0.81%	+14.16%

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	4.500	+0.06%	+16.40%
US 2YR	4.872	+1.38%	+14.64%
German 10YR	2.5115	+0.82%	+23.84%
UK 10YR	4.2030	-1.34%	+18.76%
Irish 10YR	2.903	+1.68%	+21.77%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0769	+0.07%	-2.49%
EUR/GBP	0.8598	+0.29%	-0.88%
GBP/USD	1.2521	-0.23%	-1.59%

Equities

In the US, equity markets started last week with a positive Monday session. The S&P 500 and NASDAQ gained 1.0% and 1.2% respectively. In corporates, AI focused stocks performed well, with NVIDIA increasing 3.7% while Super Micro Computers gained 6.1%. Equity markets were muted on Tuesday, with the S&P 500 rising by 0.1% while the NASDAQ lost 0.1%. Market sentiment was more cautious on Tuesday, as investors looked for more signals around the timing of the Federal Reserve's first rate cut. Palantir, the AI tech firm saw shares fall 15.1%, even with positive earnings, as investors believed the company was still overvalued. On Wednesday, markets were muted, held down by corporate performance and the uncertain monetary policy outlook. Uber shares sank almost 6% after poor earnings, while Tesla shares also retreated 1.7%. US equities would perform poorly on Thursday, even as initial jobless claims rose to a six month high, showing a cooling labour market which could pave the way for a rate cut. For the week overall, the S&P 500 and NASDAQ closed higher, up 1.33% and 0.55% respectively.

In Europe, equity markets closed in the green on Monday, reversing the losses seen the week previous. The Eurostoxx 50 gained 0.7% while the STOXX 600 gained 0.5%. UK markets were shut on Monday for the May Bank Holiday. Markets continued their ascent on Tuesday, with both the Eurostoxx 50 and STOXX 600 gaining over 1.0%. UBS, just over a year after its acquisition of Credit Suisse, gained 7.6% after posting revenues well ahead of expectations. European and UK equities would reach new highs last Wednesday, with the Eurostoxx 50 posting a new 23 year high, while the STOXX 600 reached a new all time high. These gains were attributed to positive earnings across the continent, with Siemens Energy and Alstom, the French train manufacturer gaining 12% and 9.4% respectively. These positive gains would continue on Thursday, with the Eurostoxx 50 and STOXX 600 closing marginally higher, while the FTSE 100 set yet another record, spurred on by the Bank of England interest rate announcement. For the week, all three indices closed higher, up between 2.78% and 3.01%.

Bonds

Global bond yields posted slight gains last week, as markets continued to assess the Federal Reserve's view on interest rates and timing of potential cuts in H2. Last week saw some Fed officials mention rates and inflation, with the consensus being that US monetary policy is in a good place. Currently, there is a 65% chance of a rate cut in September, according to the CME FedWatch Tool. The US 10 Year Yield closed at 4.500%. Meanwhile, in the UK the Bank of England refrained from any interest rate movements, whilst signalling that a rate cut could happen in the Summer. The 10 Year Gilt closed lower at 4.203%.

Commodities

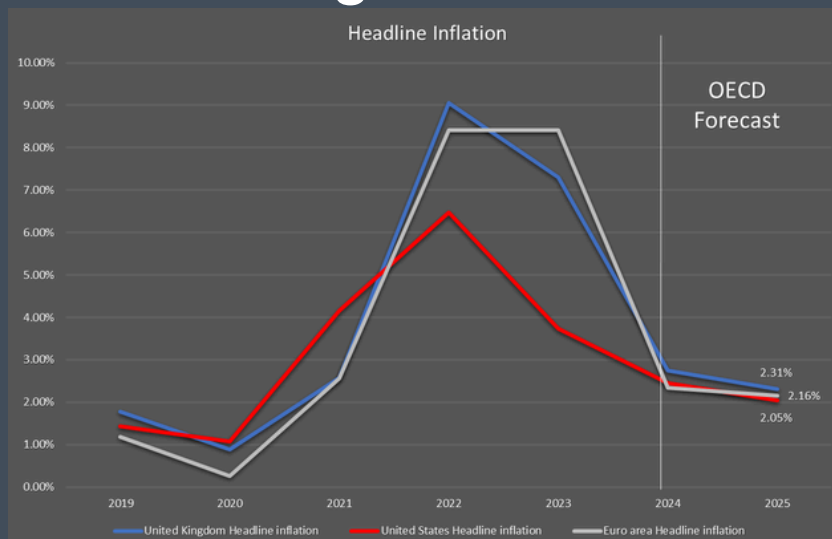
In Commodities, crude oil prices rose retreated last week, falling to two months lows. In supply, the US Energy Information Administration (EIA) released crude oil inventories data for the week previous, showing a decline of 1.361mn barrels, compared to a 7.265mn barrel increase in the preceding weeks. However, comments from Fed officials last Friday that rates could remain higher for longer weighed on prices. Brent crude closed at \$82.79, while WTI closed at \$78.20. In metals, Gold prices increased last week after the US initial jobless figures came in higher than expected, raising hopes of more expedited rate cuts.

Key Events

- 14/05/2024 - UK Unemployment Rate
- 15/05/2024 - US Inflation Rate



Data Insight of the Week



This week's Data Insight looks at the OECD's recent inflation forecasts for world economies in 2025. We also analyse last week's key company earnings and highlight the difference in equity valuations across Europe, which are now trading at a significant discount compared to major global market indices.

<https://seasprayprivate.ie/oecd-inflation-forecasts-for-2025-and-week-4-of-q1-2024-corporate-earnings/>