

Weekly Market Review

Financial Headlines

United States

The Federal Open Market Committee released the minutes of its latest meeting last week, in which some Fed officials indicated that they would be comfortable with raising the US interest rate if inflation begins to increase again. However, the committee agreed that the medium term expectation was that inflation would slow to the 2% target rate, and that maintaining rates at their current level was the best course of action. Overall, the expectation for 2024 is between one and two rate cuts, with the first rate cut likely to occur in the Autumn. Key economic data in the week focused on Initial jobless claims, which fell less than expected, in yet another sign that the US jobs market is remaining resolute despite the high interest rates. Initial jobless claims fell by 8,000 to 215,000 for May, below the expected 220,000.

Europe & UK

In Europe, the trade deficit between the European Union and China is now at its lowest level since 2021, in a sign that Chinese products are not flooding EU markets at the rate once thought. The EU's trade surplus with the US also hit a record high in Q1 2024, reaching €43.6bn, an increase of 27% compared to 2023.

In the UK, inflation data for April was released last week. The rate of inflation eased to 2.3%, which was the lowest annual inflation rate since July 2021, and means the the UK's inflation rate is now lower than both the US and European rates. In terms of price changes, electricity and gas prices slowed the most, with gas prices falling 37.5% and electricity prices falling 13%. The other major news in the UK last week was the announcement of a general election on July the 4th by Prime Minister Rishi Sunak.

Ireland

Ireland could soon be a key player in the production of critical minerals and resources used to fuel the shift to renewable energy, with new EU rules surrounding self-sufficiency having come into force last week. The Critical Raw Materials Act aims to lower the reliance of the EU on countries like China for the import of materials such as copper and lithium, both of which are used in renewable energy products. Ireland has high potential deposits of copper, lithium and baryte, among others. This means Ireland could play a major role in the mining and extraction of these minerals within the EU in future and help fuel the green transition.

Asia-Pacific

Amid ongoing tensions with the US, Chinese authorities have implored indigenous automakers in the country to source up to 25% of their total semiconductor capacity from companies within mainland China. The move comes only a few weeks after the US Government announced import tariffs of 100% on Chinese EV's and 50% on Chinese made semiconductors. Of the 30mn cars sold in China last year, only 10% used semiconductors produced locally. The longer term plan is for automakers to procure all their semiconductors locally, negating the need for imported chips from places such as the US. The guidelines are not mandatory yet, instead relying on a reward and credit system for automakers.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,304.72	-0.21%	+11.21%
NASDAQ	16,920.79	+1.09%	+12.72%
EuroStoxx 50	5,035.41	-0.55%	+11.37%
EuroStoxx 600	520.57	-0.45%	+8.68%
FTSE 100	8,317.59	-1.35%	+7.56%
ISEQ	10,071.84	+0.65%	+14.97%

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	4.467	+1.02%	+15.55%
US 2YR	4.948	+2.51%	+16.43%
German 10YR	2.5800	+2.42%	+27.22%
UK 10YR	4.2990	+3.47%	+21.47%
Irish 10YR	2.967	+1.96%	+24.45%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0845	-0.18%	-1.80%
EUR/GBP	0.8510	-0.56%	-1.89%
GBP/USD	1.2740	+0.33%	+0.13%

Equities

In the US, equity markets had a positive Monday session, with the S&P 500 gaining 0.1% to hover at all time highs, while the NASDAQ posted a new record high, up 0.6%, boosted by the tech sector. Markets pulled back from their record highs on Tuesday, continuing to monitor the Federal Reserve's sentiment on interest rates, with some Fed officials leaning towards keeping rates higher for longer. On Wednesday, the big news story was NVIDIA's earnings, released after the market closed. The chipmakers revenues increased 262%, up to \$26bn in the previous quarter, while its data center revenues increased by 427% to \$22.6bn. The results outperformed even the highest expectations, resulting in NVIDIA's shares rising 6% after the closing bell on Wednesday and passing \$1,000. However, for the regular trading day the S&P 500 fell 0.27% and the NASDAQ fell 0.18%. Markets closed lower on Thursday following strong PMI data, and for the week overall the S&P 500 closed 0.21% lower, while the NASDAQ closed 1.09% higher.

In Europe, markets in the EU posted slight gains on Monday. The Eurostoxx 50 and STOXX 600 both increased around 0.2%, with interest rate movements still dominating market sentiment. Ryanair announced its earnings on Monday, with year on year profits increasing 34% to €1.92bn. Meanwhile in the UK the FTSE 100 remained elevated at all time highs. On Tuesday, markets retreated slightly, in an overall quiet day for European stocks. The FTSE 100 tracked its European counterparts, falling 0.3%, with the financial sector dragging the index lower. UK Inflation data was released on Wednesday, showing an annual rate of 2.3% for April, the lowest rate of inflation in nearly three years. The FTSE 100 fell 0.5% after the news, as expectations of a rate cut by the Bank of England were dampened by sticky Services inflation coming in at 5.9% Thursday would see equity markets in the EU gain on the back of strong earnings from NVIDIA and positive economic data sets, while the FTSE retreated after the election announcement. For the week, the Eurostoxx 50, STOXX 600 and FTSE 100 all closed lower, between 0.45% and 1.35%.

Bonds

Global bond yields increased last week, amid more hawkish sentiment from Central Bankers in the fight against inflation. In the US, the minutes of the latest FOMC meeting revealed that members were not satisfied with the inflation rate, and expressed no confidence in cutting rates at the present time. The US inflation rate now stands one percent higher than both the EU and UK inflation rates. The US 10 Year Yield closed at 4.46%. In the UK, the 10 Year Gilt surged to 4.29%, thanks to the lower annual inflation rate for April, which may stay the hand of the Bank of England when it comes to cutting rates in the summer.

Commodities

In Commodities, crude oil prices fell last week, due to fears that global oil demand will be dampened due to elevated interest rates. US crude oil inventories also increased the week previous, with supply at the Cushing, Oklahoma oil refinery hitting its highest output level in almost a year. Brent Crude closed at a price of \$82.16 per barrel, while WTI closed at \$77.80 per barrel. Meanwhile in metals, Gold prices fell last week, as market expectations for interest rate cuts were lowered after the hawkish FOMC minutes and comments from Fed officials. Higher interest rates make it more expensive to hold Gold bullions.

Key Events

- 30/05/2024 - US GDP Growth Rate (QoQ)
- 31/05/2024 - EU Inflation Rate
- 31/05/2024 - US Core PCE Price Index



Data Insight of the Week



This week's Data Insight looks at the renewable energy pledge made at the COP28 summit last December, indicating where investment will go on a global scale between now and 2030, while comparing the pledge to global capacity in 2022.

<https://seasprayprivate.ie/shift-in-global-renewable-power-capacity/>