SEASPRAY PRIVATE
Creating Investment Solutions

Monday
15.07.2024

Weekly Market Review

Financial Headlines

United States

In the US, inflation data was released for June last week. The annual rate of inflation slowed to 3%, the lowest rate of inflation recorded in the United States so far in 2024, and the lowest since June 2023. The rate was also below market expectations of 3.1%, and will greatly benefit the Federal Reserve as they attempt to look for data that will support an interest rate cut in the Autumn. The slowdown in the rate of inflation was mostly due to a -3.7% deflation in the price of energy commodities, with gasoline prices falling by -3.8%. Prices for both new and used vehicles also deflated in June compared to May, falling by -0.2% and -1.5% respectively. In terms of core inflation, which removes food and energy prices, the annual rate slowed to 3.3%, the lowest core inflation rate recorded since April 2021.

Europe & UK

In Europe, the results from the second round of the French legislative election saw the far right Rassemblement National (RN) Party fall to third from first, while the left wing Nouveau Front Populaire Party became the largest single party in the French parliament. The results mean there will be a hung parliament, as no party has reached the critical 289 seats needed for a majority, and a coalition will need to be formed between Emmanuel Macron's Ensemble Party and the Nouveau Front Populaire if they wish to continue in government.

In the UK, the economy grew by 0.4% month over month in May, extending the positive monthly GDP growth to five months. The services sector grew 0.3%, and was the main contributor to growth, while construction grew at its fastest rate in a year.

Ireland

In positive climate news, greenhouse gas emissions in Ireland fell by 6.8% in 2023, resulting in the lowest overall level of emissions reported in the country in 30 years. Emissions fell across every sector, with the energy industry leading the declines, falling by 21.6% in 2023. One of the main drivers of the lower overall energy emissions was the increase in the use of renewable energies, which increased by 40.7% in 2023, while coal, oil and peat usage decreased. In financial news, €8.3bn in additional funding will be made available in the upcoming Budget, with €1.4bn used for tax cuts and the remaining €6.9bn used for expenditure needs.

Asia-Pacific

In China, the annual rate of inflation for June slowed to 0.2%, a decline from the 0.3% rate recorded in April and May. The June rate was also below market expectations of 0.4%, and highlighted the increasingly difficult task facing the Chinese Government to spur growth and spending in the world's second largest economy. The lower rate was mostly attributed to lower food prices, which fell by 2.1% in June compared to 2% in May, while transport costs also fell by -0.3%. Core inflation, which removes food and energy prices, increased at a rate of 0.6%, the same rate as May. While the inflation rate is low, it is still the fifth straight month in which the monthly rate of inflation has remained above 0%.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,615.35	+0.67%	+17.73%
NASDAQ	18,398.45	+0.19%	+22.56%
EuroStoxx50	5,043.02	+1.69%	+11.54%
EuroStoxx600	524.08	+1.76%	+9.41%
FTSE 100	8,252.91	+0.98%	+6.72%
ISEQ	9,769.03	+2.89%	+11.51%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	—	0
ECB	4.25%	↓	-0.25%
BOE	5.25%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.187	-2.14%	+8.30%
US 2YR	4.458	-3.20%	+4.90%
German 10YR	2.4875	-1.76%	+22.66%
UK 10YR	4.1560	+0.65%	+17.43%
Irish 10YR	2.872	-2.11%	+20.47%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0906	+0.91%	-1.25%
EUR/GBP	0.8392	-0.62%	-3.25%
GBP/USD	1.2992	+1.51%	+2.11%

Asset Class Review

SEASPRAY PRIVATE
Creating Investment Solutions

Equities

In the US, markets last Monday were relatively muted, awaiting key inflation data due for release later in the week. The S&P 500 rose just 0.1% while the NASDAQ climbed 0.28%. Chair of the Federal Reserve Jerome Powell testified to the US Senate on Tuesday, and stated that higher interest rates would have an adverse effect on US economic growth, and again highlighted that more data was needed before any rate reduction could be considered. The S&P 500 rose less than 0.1%, while the NASDAQ gained just 0.14%, however both indices did hit new record highs. Wednesday would see equity markets once again hit record highs, with the S&P 500 and NASDAQ both rising over 1%. The rally was due to strong gains from AI-focused firms, with NVIDIA adding nearly 3%. Apple also became the first company in history to surpass a $3.5tn market capitalisation, making it the world's most valuable company once again. Equity markets did turn negative on Thursday after a mega cap tech focused sell-off, with NVIDIA and Tesla shares falling 5.6% and 8.4% respectively, while smaller cap stocks gained. For the week, the S&P 500 closed 0.67% higher, while the tech heavy NASDAQ closed 0.19% higher after a positive Friday trading.

In Europe & the UK, markets were mixed last Monday, with European indices mostly flat as a consequence of the French election results. The preliminary results indicated a hung parliament, with the far right RN Party defeated. The Eurostoxx50 closed 0.19% lower while the STOXX600 closed 0.03% lower. In the UK, the FTSE 100 was mostly flat, after a weekend which saw the Labour Party claim a landslide victory in the UK elections. Tuesday would see both European and UK indices close lower, with the Eurostoxx50 falling over 1%, while the STOXX600 fell 0.7%. This volatility was attributed to ongoing uncertainty around the French elections and upcoming US inflation data. In the UK, the FTSE 100 retreated 0.7% on Tuesday. Wednesday in Europe would see markets rebound after a poor Tuesday trading. The Eurostoxx50 jumped over 1.2%, while the STOXX600 climbed 0.9%, as markets continued to assess the future of the French Parliament. The UK's FTSE100 also rose over 0.7%, on the back of positive comments from Bank of England officials regarding interest rate cuts, while in equities airline operator IAG shares jumped 3% in regular trading. The rally continued on Thursday, with indices in Europe and the UK both closing higher, boosted by US inflation data and UK GDP data. For the week, EU and UK markets closed higher, between 0.98% and 1.76%.

Bonds

Global bond yields retreated last week, as the US rate of inflation slowed to its lowest level in 2024. The 3% rate was below market estimates, and will give the Federal Reserve an excellent base as it continues to search for more positive economic data that will support an interest rate cut. The US 10yr yield fell to 4.18%, its lowest level since late March. In the UK, the 10yr Gilt was boosted by higher than expected UK GDP, which reduced the probability of an imminent rate cut.

Commodities

Crude oil prices were mostly flat last week, as US inventories declined by more than expected. According to the EIA, crude oil inventories fell by 3.444mn barrels the week ending July 5th. This fall in crude inventories coincided with the EIA increasing its forecast for global oil demand in 2025. Brent crude is currently $85.03 per barrel, while WTI is priced at $82.21. In metals, Gold prices increased above $2,410 per ounce, thanks to lower US inflation data which will aid interest rate cut sentiment.

Key Events

- 17/07/2024 - UK Inflation data
- 18/07/2024 - ECB Rate Decision

Episode 7 in our Seaspray- Making Waves podcast series has been released. Danny O'Leary and Paul McGowan discussed numerous key topics, including geopolitical risks, significant macro-economic trends, and market forecasts made earlier in the year. They also highlighted potential opportunities and value for investors in the latter half of 2024 and beyond. Episode 7 is available to watch and listen to on Spotify, iTunes, YouTube and our Seaspray Private website:
https://seasprayprivate.ie/making-waves-podcast/making-waves-episode-7/