

## Weekly Market Review

### Financial Headlines

#### United States

In the US, the Federal Reserve had its July meeting last Wednesday. As was expected, there was no change to the interest rate, which remains at 5.50%. However, crucially Federal Reserve chair Jerome Powell stated categorically for the first time that a rate cut could be likely at the Federal Open Market Committee's (FOMC) next meeting in September. However he did caveat this by saying the committee would need even "greater confidence" before it took the decision to lower the interest rate. While the rate of inflation has slowed in recent months to below 3%, the labour market in the US has become more fragile, with jobless claims rising, with the latest count being significantly above the normal average. It could therefore be the jobs market that finally sways the Federal Reserve into making a rate cut.

#### Europe & UK

**In Europe**, GDP figures for Q2 of 2024 were released for the Eurozone last week. The figures showed that the Eurozone grew by 0.3% in the second quarter, the same level as Q1 2024 and above market expectations of 0.2%. Major economies such as France, Spain and Italy all reported positive growth rates in Q2, while Germany, the largest economy in the Bloc, reported a contraction of 0.1%.

**In the UK**, the Bank of England (BoE) made its first interest rate cut in four years, ending one of the country's most austere rate hike cycles. The decision follows a gradual decline in the rate of inflation in the UK, however chair of the BoE Andrew Bailey stated that the cut did not mean the start of more rapid cuts in the future. The Monetary Policy Committee voted 5 to 4 in favour of a cut.

#### Ireland

Last week, the final report for the All-Island Strategic Rail Review was released. The report recommends the development of new rail corridors in the Midlands and South East of the country and new developments that would see Dublin and Shannon airports connected to the rail network. If the recommendations were implemented in full, the report estimates it would boost the island's economy by €20bn, while 80% of total rail coverage would be serviced by electric trains. Meanwhile, Bank of Ireland posted half year profits of €1.1bn last week, while AIB also posted profits of €1.1bn and announced a €505mn share buy-back.

#### Asia-Pacific

The Bank of Japan last week raised its benchmark interest rate to 0.25%, at a time when major Central Banks are in the process of cutting rates. The BoJ raised rates to their highest level since 2008, on the back of rising inflation but weak economic data. Core inflation in Japan rose to 2.6% in June, however the Japanese economy did contract in the first quarter of 2024. The weakening of the Yen in recent months has also been attributed to this rate hike. Meanwhile, in China manufacturing activity fell for the third straight month in July, falling from 49.5 to 49.4 between June and July. The figures have ignited hopes of more state intervention, with Chinese leaders pledging to increase support measures.

### Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,346.56	-2.40%	+12.09%
NASDAQ	16,776.16	-4.18%	+11.76%
EuroStoxx50	4,638.70	-4.94%	+2.59%
EuroStoxx600	497.85	-3.31%	+3.94%
FTSE 100	8,174.71	-1.82%	+5.71%
ISEQ	9,263.37	-3.07%	+5.74%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	—	0
ECB	4.25%	—	0
BOE	5.00%	↓	-0.25

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	3.792	-9.58%	-1.91%
US 2YR	3.874	-11.70%	-8.84%
German 10YR	2.1600	-10.11%	+6.51%
UK 10YR	3.8310	-6.63%	+8.25%
Irish 10YR	2.577	-9.10%	+8.10%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0908	+0.53%	-1.23%
EUR/GBP	0.8521	+0.98%	-1.76%
GBP/USD	1.2798	-0.44%	+0.59%

## Equities

**In the US**, equity markets gained slightly on Monday. The S&P 500 and NASDAQ both gained 0.1%, with Microsoft and Apple shares rising over 1%. Tuesday would see the first of the key earnings released, with Microsoft announcing its Q2 earnings. While the tech giant did beat earnings expectations and posted double digit sales growth, the company's shares fell 2.7% in after hours trading, as poorer than expected growth in the company's cloud division, Azure, disappointed investors. US equities were negative on Tuesday, with the S&P 500 falling 0.5% and NASDAQ dropping 1.28%, with the tech sector suffering the most. Meta, the parent company of Facebook, posted its earnings on Wednesday evening after the bell, with better than expected Q2 revenues of \$39.07bn, thanks to better than expected advertising revenues. In regular trading, the S&P 500 and NASDAQ both rallied, rising 1.58% and 2.64% respectively. Meanwhile, the Fed continued to hold rates at their current level. US markets retreated on Thursday after poor manufacturing data raised concerns about the health of the US economy. After a bruising Friday session, the S&P 500 closed -2.40% lower for the week, while the NASDAQ closed -4.18% lower for the week.

**In Europe & the UK**, markets on the continent began last week with a negative Monday, with the Eurostoxx50 losing 0.9% and the STOXX600 falling 0.2%. Luxury goods giants LVMH and Hermes International led the declines on fears of lower demand for luxury goods in China. Meanwhile in the UK, equities rose 0.6% on Monday, as investors prepared for a Bank of England rate cut decision, along with major results such as HSBC. Tuesday in Europe saw equities rise, with the Eurostoxx50 and STOXX600 both posting gains of 0.5%. In the UK, the FTSE 100 retreated after a positive Monday session, as anticipation rose for the BoE rate decision on Thursday. In corporates, Diageo posted poor earnings with a 1.4% decline in net sales and a 5% fall in operating profits. European equities continued to make gains on Wednesday, in particular ASML. The semiconductor firm announced it would not be impacted by the ongoing US/China trade tariffs. In the UK, the FTSE 100 rose 1%, led by HSBC, whose shares rose 4% thanks to increased profits. On Thursday, both European and UK equities fell, led by poor earnings from DHL, Volkswagen and BMW on the continent and Melrose in the UK. The decline continued on Friday, prompted by Intel's announcement of 15,000 job cuts, and for the week European and UK indices closed lower, between -1.82% and -4.94%.

## Bonds

Global bond yields plummeted last week, as the Federal Reserve announced a rate cut was possible in September, as long as the data continues to support a loosening of monetary policy. Inflation in the US has ticked down throughout 2024, while the labour market continues to tighten. The US 10yr yield fell to 3.79% on Friday evening, its lowest in nine months. In the UK, the 10yr Gilt fell to its lowest level in six months after the Bank of England cut its interest rate, with the yield falling to 3.83%.

## Commodities

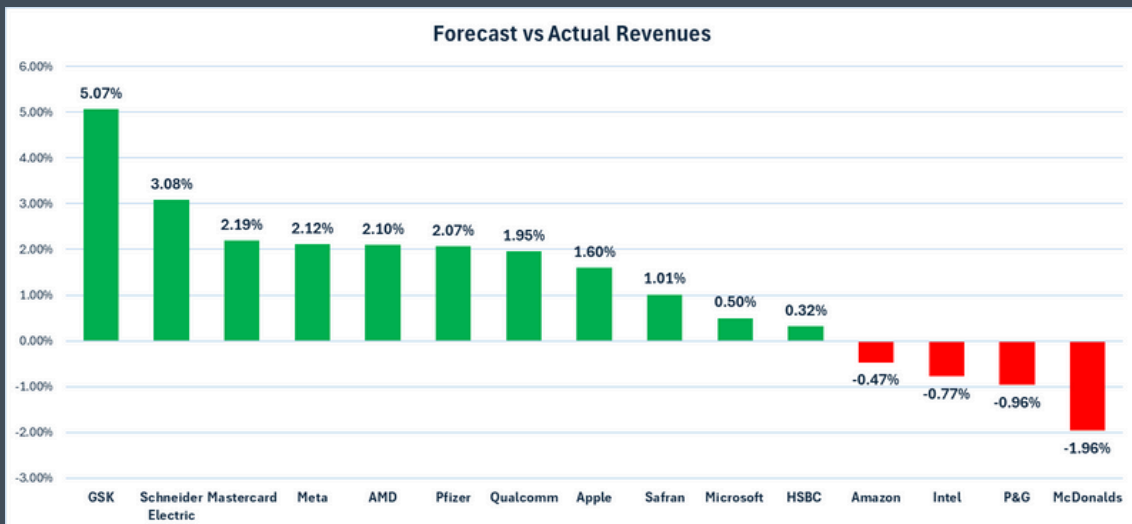
Crude oil prices retreated last week, with prices dipping on Thursday after poorer than expected manufacturing data from the US, and continued fears around a slowdown in the Chinese economy. US crude inventories also fell by 3.43mn barrels the week of the 22nd July. Brent crude closed at \$77.35, while WTI closed at \$73.52. In metals, Gold prices rallied to almost new record highs, hitting \$2,442, as an impending rate cut in the US helped demand for the safe haven commodity.

## Key Events

- 04/08/2024 - August Bank Holiday (IE)
- 09/08/2024 - Chinese Inflation Rate



## Data Insight of the Week



This week's Data Insight focuses on the major earnings calls from the past week. Last week some of the world's largest companies released Q2 earnings data, with mixed results. There was also releases in the UK and in the Euro Area which had repercussions on equity markets there.

<https://seasprayprivate.ie/taking-stock-q2-earnings-season-week2/>