

Weekly Market Review

Financial Headlines

United States

In the US, it was a data heavy week last week, with inflation, producer prices index (PPI) and retail sales statistics all released. On the inflation front, the annual rate of inflation for July slowed to 2.9%, below June's rate of 3% and the lowest rate of inflation recorded since March 2021. Prices eased for shelter, transportation, apparel and new vehicles, while energy prices rose slightly, up by 1.1% compared to 1% in June. The annual core rate of inflation, which strips out food and energy prices, rose by 3.2%, the lowest annual increase since April 2021. While the inflation rate is still above the 2% target set by the Fed, breaking the 3% barrier will reinforce the view of a cut in September. Meanwhile, PPI increased by 0.1%, lower than expected, while retail sales rose by 1% in July, following a -0.2% drop in June.

Europe & UK

In Europe, economic sentiment in Germany, Europe's largest single economy, fell to its lowest level since January, driven by continued ambiguity on current monetary policy and disappointing business data from the US, one of Europe's largest trade partners.

In the UK, inflation and GDP numbers for the second quarter of 2024 were released last week. The rate of inflation for July rose to 2.2%, the first rise in the annual rate of inflation since May, however below market expectations of 2.3%. Prices rose for housing, increasing 3.7% compared to a rise of 2.3% in June. Price rises slowed for services, hotel and restaurants and recreation and culture. On the GDP front, the UK economy expanded by 0.6% in Q2 2024, lower than the 0.7% growth rate seen in Q1 2024, but in line with market expectations.

Ireland

While much of Ireland's revenues come from the corporation taxes from large multinationals, the export of goods is still an important cornerstone of the economy. In the first six months of 2024, exports rose by 6% equating to a value of €107bn compared to the same period in 2023. Conversely, imports during the same period have fallen by 8%, leading to a widening trade surplus. Taking the month of June in isolation, €16.6bn in exports were recorded compared to €11.8bn in imports. In terms of Ireland's trade partners, exports to the US have risen by 23% YTD, while exports to the UK have fallen by 13% YTD.

Asia-Pacific

In Japan last week, Prime Minister Fumio Kishida announced he would be stepping down as leader of the Liberal Democratic Party (LDP), ahead of next month's internal poll for leader of the LDP. The news follows three years of leadership, which saw Kishida embroiled in various scandals, principally a political funding scandal in 2023. However, he did help to improve Japan's standing in terms of defence spending, increasing it from 1% of GDP to 2% of GDP while also mediating the historic pay increases for workers in some of Japan's largest companies this year. The next leader of the LDP will more than likely lead the party into the next General Election in 2025.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,554.25	+4.07%	+16.45%
NASDAQ	17,631.72	+4.91%	+17.46%
EuroStoxx50	4,840.52	+3.03%	+7.06%
EuroStoxx600	511.45	+2.11%	+6.78%
FTSE 100	8,311.41	+1.16%	+7.48%
ISEQ	9,516.44	+0.84%	+8.63%

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

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	3.883	-1.44%	+0.44%
US 2YR	4.054	-0.08%	-4.61%
German 10YR	2.2580	+1.62%	+11.34%
UK 10YR	3.9300	-0.43%	+11.05%
Irish 10YR	2.645	-0.11%	+10.95%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.1028	+1.03%	-0.14%
EUR/GBP	0.8550	-0.46%	-1.80%
GBP/USD	1.2759	+1.46%	+1.74%

Equities

In the US, equity markets began last week with an uncharacteristically quiet Monday session, considering the recent spike in volatility. The S&P 500 closed virtually flat, while the NASDAQ rose slightly by 0.21%. US inflation data was the key release last week, as the rate of inflation would help investors gauge the strength of the US economy. In corporates, NVIDIA shares rose 4% as markets looked through the recent news that their new Blackwell chips will be delayed until 2025. On Tuesday, equity markets rallied, with the S&P 500 rising 1.69% and the NASDAQ over 2%, as lower than expected Producer Price Index (PPI) reinforced hopes of an impending rate cut in September. US inflation data was released on Wednesday, which came in lower than expected at 2.9%. Markets did not overreact to the news, as the hopes of a rate cut in September are almost certain now. The S&P 500 gained 0.38%, while the NASDAQ gained just 0.03%, as tech underperformed on the day. Retail sales were released on Thursday, which rose by 1% in July, the biggest monthly increase since January 2023. For the week, the S&P 500 and NASDAQ closed significantly higher, up 4.07% and 4.91% respectively.

In Europe & the UK, markets were mixed to start last week, as caution abounded with the upcoming US inflation report. The Eurostoxx50 closed 0.07% lower, while the STOXX600 closed just 0.02% lower. In the UK, the FTSE 100 closed 0.6% higher, outperforming EU indices due to news that Bharti Enterprises, an Indian conglomerate, planned to buy 24.5% of BT Group, which sent shares in the telecommunications group soaring. European markets made gains on Tuesday, with the Eurostoxx50 and the STOXX600 climbing 0.5% higher, as markets reacted to the US PPI data. However, the German ZEW economic sentiment index fell to its lowest level since January, in another sign that Europe's largest economy is under pressure. In the UK, the FTSE 100 closed flat, after pulling back towards the end of the Tuesday session. EU markets continued their positive momentum on Wednesday, with the Eurostoxx50 rising 0.6%, while the STOXX600 rose by 0.4%. In the UK the FTSE 100 rose by 0.50%, in response to the inflation data which may give the Bank of England more cause to continue cutting rates. EU and UK equities both continued to perform well on Thursday, with EU indices both rising over 1% and the FTSE 100 rising 0.71%. After the best week in nearly three months, EU and UK equities closed higher, up between 1.16% and 3.03%.

Bonds

Global bond yields were muted last week, as economic data releases reinforced the view that a rate cut in the US was imminent in September. With US inflation falling to a rate of 2.9% and Producer Prices rising less than expected, the question is now whether the Fed will cut rates by 25bps or 50bps in September, not whether they will cut at all. The US 10yr yield finished at 3.88%. In the UK, the 10yr Gilt fell to 3.93%, as a result of the UK inflation rate rising less than expected to 2.2%.

Commodities

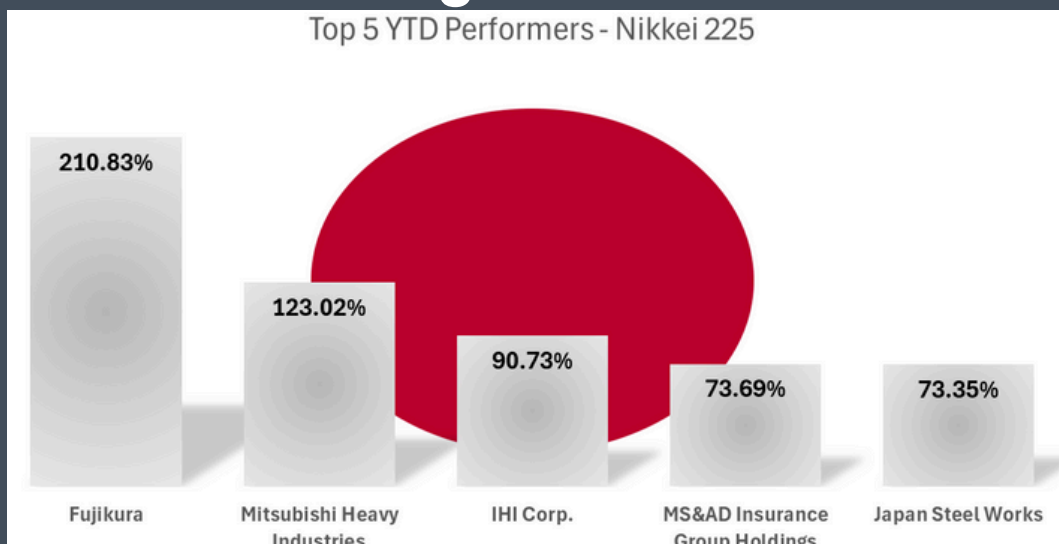
Crude oil prices were flat last week, as expectations of loosening monetary policy boosted crude markets early in the week, however reports that Qatar had urged Iran to lower tensions with Israel pulled prices lower on Friday. Brent crude closed at \$79.68, while WTI closed at \$76.65. In metals, Gold prices rose last week to \$2,507, due to potential monetary policy movements and geopolitical tensions, which have driven investors into the safe haven asset.

Key Events

- 21/08/2024 - US FOMC Minutes
- 23/08/2024 - Japan Inflation Rate



Data Insight of the Week



This week's Data Insight takes a look eastward to Japan, which is the second largest stock market in market capitalisation terms, with specific attention on the Nikkei 225. We look at the largest individual weighted companies, before analysing the best performers on the exchange in 2024.

<https://seasprayprivate.ie/taking-stock-a-focus-on-the-nikkei-225/>