Monday
16.09.2024

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Weekly Market Review

Financial Headlines

United States

The US inflation rate slowed to 2.5% in August, the lowest rate recorded since February 2021. This is also much slower than the July rate of 2.9%, while also being below the forecasted 2.6%. The main drivers in this low rate were a significant reduction in energy costs, which fell by 4% overall, compared to an increase of 1.1% in July. Inflation for food and transportation also slowed, with food prices increasing by 2.1% compared to 2.2% in July and transport prices rising by 7.9% compared to 8.8%. Shelter and apparel were the only areas where prices rose in August compared to July. Taking the core inflation rate, the rate slowed to 3.2%, the lowest in three years. The data is the last major economic release ahead of the Fed's meeting on September 18 and paves the way for an expected quarter-point cut to interest rates.

Europe & UK

In Europe, the European Central Bank delivered a second 0.25 percentage point rate cut, lowering the main rate down to 4% and the closely watched bank deposit rate down to 3.5%. In the statement following the decision, the Governing Council stated that inflation data was in line with estimates, with inflation for 2024 expected to average 2.5%, falling to 2.2% in 2025 and 1.9% in 2026.

In the UK, growth in the economy stalled in July, marking the second straight month where no growth has been recorded. This was also below estimates of a 0.2% increase. Output from services grew by 0.1% in July, due primarily to a 1.6% increase in computer programming and a 4.2% increase in information services, however was not enough to increase overall growth.

Ireland

Apple has been ordered by the EU to pay the Irish state €13bn in underpaid taxes, after losing its court case against the European Commission. The decision by the European Court of Justice overruled the decision by the EU General Court, which had itself overturned a previous ruling by the EU Commission where they adjudged Apple not to be liable. Apple has stated that while they disagree with the ruling, they will record a one time tax charge of up to $10bn in their fourth quarter earnings report. In economics, the annual rate of inflation for August slowed to 1.7%, while the EU harmonised rate slowed to 1.1%, both three year lows.

Asia-Pacific

According to economists from Morgan Stanley and Goldman Sachs, China will need to invest the equivalent of $1.4tn in stimulus funds to completely reinflate its economy. This comes as Producer Price Index data for China declined once again in August, marking 23 months of deflation. While consumer inflation has been positive for the last seven months, consumer spending continues to lag, as householders choose to save rather than spend. The increased savings have been attributed to the property crisis, which has caused a massive oversupply in unpurchased homes. The news comes after Bank of America and TN Securities cut their 2024 growth forecasts for China to under 5%.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,626.02	+3.17%	+17.95%
NASDAQ	17,683.98	+4.91%	+17.80%
EuroStoxx50	4,843.99	+1.56%	+7.13%
EuroStoxx600	515.95	+1.28%	+7.72%
FTSE 100	8,273.09	+0.50%	+6.98%
ISEQ	9,670.51	+0.44%	+10.39%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.50%	—	0
ECB	4.00%	↓	-0.25
BOE	5.00%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	3.657	-2.07%	-5.41%
US 2YR	3.587	-1.96%	-15.60%
German 10YR	2.1490	-1.01%	+5.97%
UK 10YR	3.7690	-3.14%	+6.50%
Irish 10YR	2.528	-2.13%	+6.04%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.1076	-0.05%	+0.29%
EUR/GBP	0.8439	0.00%	-2.71%
GBP/USD	1.3122	-0.05%	+3.14%

Asset Class Review

Equities

In the US, equity markets rebounded last Monday, having endured one of their worst weeks in recent years, due to a sell off in mega caps and poor US non farm payroll data, which was once again below expectations. The S&P 500 rose by 1.1%, while the NASDAQ rose by 1.3%. The gains came from NVIDIA, whose shares rallied by 3.5% as investors saw a good buying opportunity after a damaging week previously. Equities were positive on Tuesday, even as investors prepared for the CPI data print on Wednesday. The S&P 500 rose by 0.4%, while the NASDAQ rose by 0.8%. The technology sector led gains, with Amazon and Microsoft rising over 2%. Markets rose on Wednesday, as the US inflation data resulted in markets betting on a 25bps cut by the Federal Reserve this week. Inflation slowed to 2.5%, its lowest in three years. Tech stocks rose the most, with NVIDIA up 8% and Broadcom up 6.7%, while renewable energy stocks rose after Kamala Harris' positive performance in the Presidential debate. The rally would continue on Thursday, with all 11 S&P sectors finishing ahead, led by tech stocks such as Meta and Broadcom. For the week, the S&P 500 closed +3.17% higher, while the NASDAQ closed +4.91% higher.

In Europe & the UK, equity markets snapped their prolonged losing streak on Monday, with the Eurostoxx50 and STOXX600 rising by 0.5%. Gains came from across various sectors, with travel and financials both increasing. In the UK, the FTSE 100 rose 1.1%, as it tracked gains in Europe and the US. Equities in Europe retreated on Tuesday, with the Eurostoxx50 down 0.8% and the STOXX600 down 0.5%. Markets remained cautious about both US inflation and the ECB rate decision. In corporates, BMW shares fell over 11% after it lowered its 2024 profit margin and announced a recall of over 1mn vehicles due to a fault with the braking system. In the UK, the FTSE 100 tracked European shares, closing 0.8% lower, with losses coming from Barclays and AstraZeneca. On Wednesday, European shares once again turned positive, due to gains made by retail giant Inditex and financials such as Commerzbank and Société Générale. In the UK, the FTSE 100 fell by 0.2% after stagnant GDP data and mixed signals from the US following lower than expected inflation data. European and UK markets continued to rise on Thursday after the ECB cut rates, with the Eurostoxx50, STOXX600 and FTSE 100 all up over 0.6%. Overall, for the week European and UK equities closed higher, up between +0.50% and +1.56%.

Bonds

Global bond yields retreated significantly last week, as US inflation data slowed more than expected, which reinforced the view that the Fed could deliver a 25bps cut this week, rather than a 50bps cut. However, US initial jobless claims were slightly higher than expected last week, which cast slight doubts on a 25bps cut. The US 10yr yield closed at 3.65%, its lowest level since May 2023. In the UK, the 10yr Gilt fell to its lowest level since January 2024, tracking the global decline in yields.

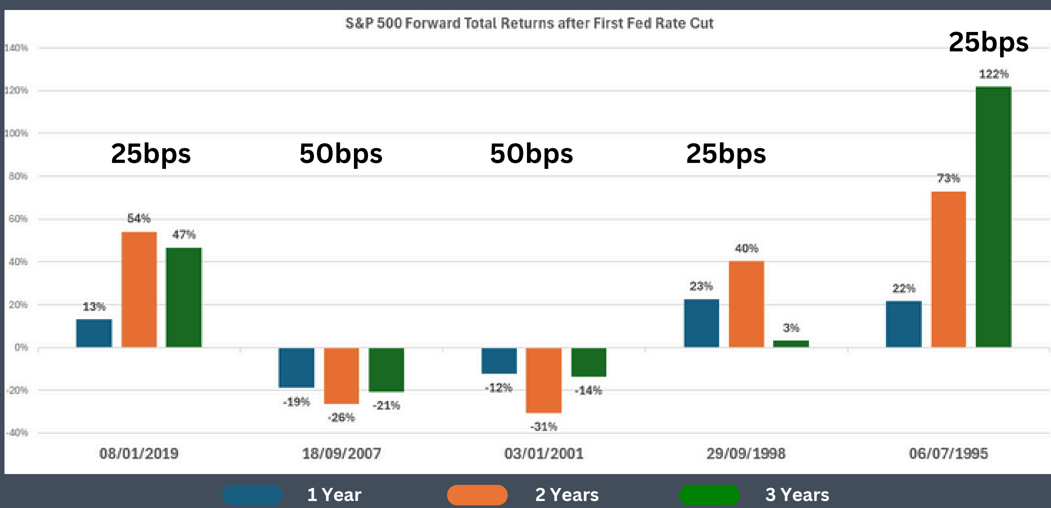
Commodities

Crude oil prices fell once again last week, with Brent Crude dropping below $70 a barrel for the first time since 2021. A supply increase from OPEC+ is expected in October which continues to put downward pressure on prices. However, US offshore platforms shut last week due to Hurricane Francine, which pushed prices up. Brent Crude closed at $71.61, while WTI closed at $68.65. In metals, Gold prices increased once again to $2,578 last week due to expectations of global looser monetary policy.

Key Events

- 18/09/2024 - UK Inflation Data
- 18/09/2024 - US Federal Reserve Rate Decision
- 19/09/2024 - Bank of England Rate Decision

Data Insight of the Week



This week's Data Insight focuses on global growth, and how economies around the world have fared thus far in 2024, while also looking at the potential impact of a first interest rate cut on the US stock market.

https://seasprayprivate.ie/taking-stock-global-growth-landscape-equity-performance-post-rate-cuts/