Monday
28.10.2024

SEASPRAY PRIVATE
Creating Investment Solutions

Weekly Market Review

Financial Headlines

United States

The IMF released its October World Economic Outlook (WEO) update last week, in which the think tank upgraded the growth outlook for the United States for the end of 2024 and 2025. In the previous iteration of the WEO in July, the IMF estimated that the US economy would grow by 2.6% in 2024 and 1.9% in 2025. However, these figures have been upgraded to 2.8% for 2024 and 2.2% in 2025. The WEO states that the 2024 growth rate is primarily attributed to increases in personal consumption and non-residential investment. In politics, as the US Presidential Election draws near, in national polling former president Donald Trump holds a three point lead over Democratic candidate Kamala Harris, while Trump holds a slim lead of less than one point overall in the seven key battleground states.

Europe & UK

In Europe, composite PMI's for the Eurozone for October came in at 49.7, slightly below the 50 point mark which indicates expansion, but higher than the September reading of 49.6. Looking at the two sectors that make up the overall figure, services and manufacturing, services growth eased slightly, from 51.4 to 51.2, still in expansionary territory. Manufacturing activity meanwhile rose from 45.0 to 45.9, albeit still in contraction territory. The biggest laggards on a country basis in the Bloc were France and Germany.

In the UK, Andrew Bailey, the Governor of the Bank of England (BoE) last week stated that inflation is slowing more rapidly than expected in the UK. He reiterated that the BoE must see services inflation come down further, as it is still above the BoE base levels.

Ireland

The Deposit Return Scheme has seen 635mn plastic bottles and aluminium cans returned since it began back in February. In monetary terms, this equates to €110mn of deposits returned to consumers. In terms of the collection rate, 73% of all containers placed on the market were returned in August, compared to just 2% in February. Ireland is also on track to meet the EU collection target rate of 77% in 2025 and 90% by 2029. Elsewhere, the Data Protection Commission fined LinkedIn €310mn due to breaches of GDPR relating to lawfulness, fairness and transparency.

Asia-Pacific

The People's Bank of China last week cut its main interest rates in another attempt to stimulate the lagging Chinese economy. The benchmark one year loan prime rate was cut from 3.35% to 3.1%, the largest single cut in this rate on record, while the five year loan prime rate was cut from 3.85% to 3.6%. These rates directly affect both individual consumer and business borrowing, and the cuts follow a blitz of stimulus measures over the past month. At the same time, share buybacks on the CSI 300, the largest stock exchange in mainland China hit a record high so far in 2024, with $33bn in buybacks reported, almost double the 2023 figure. The buybacks have also been influenced by the stimulus measures, with companies now encouraged to return money to shareholders.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	5,808.12	-0.91%	+21.77%
NASDAQ	18,518.61	+0.16%	+23.36%
EuroStoxx50	4,943.09	-0.81%	+9.33%
EuroStoxx600	518.81	-1.22%	+8.31%
FTSE 100	8,248.84	-1.50%	+6.67%
ISEQ	9,763.69	-1.28%	+11.45%

Interest Rate	Current Rate	Direction	Rate Change
FED	5.00%	—	0
ECB	3.65%	—	0
BOE	5.00%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.232	+3.85%	+9.47%
US 2YR	4.107	+3.96%	-3.36%
German 10YR	2.2910	+4.95%	+12.97%
UK 10YR	4.2350	+4.39%	+19.67%
Irish 10YR	2.649	+4.66%	+11.12%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0793	-0.64%	-2.27%
EUR/GBP	0.8325	+0.05%	-4.02%
GBP/USD	1.2959	-0.64%	+1.85%

Asset Class Review

Equities

In the US, equity markets were mixed on Monday, dragged down by investor unease regarding upcoming earnings. Last week would see earnings from Tesla, Coca Cola and GE Aerospace, one of the best performing YTD stocks in the US. The S&P 500 closed 0.2% lower while the NASDAQ closed 0.2% higher, due to gains from NVIDIA, who hit a fresh high during the session. The muted tone would continue on Tuesday, with the S&P 500 falling once again, while the NASDAQ gained another 0.2%. Anticipation for upcoming earnings was paired with rising treasury yields, which rose due to uncertainty over the course of the Fed's rate cut cycle. In corporates, GE Aerospace fell 8% after marginally missing earnings, along with Lockheed Martin and Verizon. US equities took a major hit on Wednesday, with the S&P 500 down 0.9% and the NASDAQ down 1.6%. Losses could be attributed to rising Treasury yields boosted by solid US economic data. McDonalds shares fell after its burgers were linked to an E.coli outbreak. Markets did recover some losses on Thursday, with Tesla shares leading the market after overall positive earnings. In economics, initial jobless claims fell by 15k to 227k, the lowest level since early October and far below estimates of 242k. For the week, the S&P 500 closed lower down -0.91%, while the NASDAQ closed slightly higher, up 0.16%.

In Europe, equity markets retreated last Monday, with the Eurostoxx50 down nearly 1% and the STOXX600 down 0.7%. Markets were mostly focused on geopolitics, with the US election looming large. In the UK, the FTSE 100 tracked the losses seen in Europe, and closed 0.5% lower. The muted tone continued on Tuesday, as the Eurostoxx50 closed just 0.04% below the flatline, while the STOXX600 closed 0.21% lower. However, while the general market was lower, SAP, one of the largest companies in Europe, posted positive earnings and raised its revenue forecasts, resulting in a 5% gain on the day. In the UK, the FTSE 100 continued to reflect the muted tone across both Europe and the US, as Gilt yields also continued to rise. European markets continued to decline on Wednesday, as the Eurostoxx50 and STOXX600 fell 0.3%. L'Oréal led declines due to its poor earnings, with demand from China impacting on its bottom line. On a positive note, consumer confidence in the Euro Area increased to its highest level since early 2022. In the UK, the FTSE 100 closed 0.6% lower, even as Lloyds posted better than expected revenues. However, both European and UK equity markets rose on Thursday due to gains from the luxury goods and financial sectors. For the week, both European and UK equities closed lower, down between -0.81% and -1.50%.

Bonds

Global bond yields rose last week. In the US, the 10yr yield rose above 4.23%, its highest for three months. Jobless claims fell less than expected, while geopolitics also fed into bond markets as analysts ponder a possible Donald Trump win in the upcoming US election which could mean the introduction of trade tariffs, fuelling inflation and slowing rate cuts. In the UK, the 10yr Gilt rose to 4.23% after Chancellor Rachel Reeves changed fiscal rules to allow for more borrowing.

Commodities

Crude oil prices rose last week, as uncertainty remained around the Middle East conflict. Markets are still awaiting Israel's response to the Iranian missile barrage earlier this month, while also assessing global supply. Increased US stockpiles did put downward pressure on prices on Wednesday. Brent crude closed at $76.05, while WTI closed at $71.78. In metals, Gold prices remained above $2,700 despite a pullback midweek due to rising bond yields and more cautious monetary policy from the Fed.

Key Events

- 31/10/2024 - EU Inflation Data
- 01/11/2024 - US Non Farm Payrolls

Our investment philosophy at Seaspray Private is the desire to create positive, long term, sustainable and responsible investment solutions and portfolios for our clients. Last Monday the Cyber Security Bond 2, which was available exclusively to clients of Seaspray Private and Seaspray Financial delivered a gross return of 22.50% over 2.50 years. For further information click on the following link:

https://seasprayprivate.ie/sips/cyber-security-bond-2/