



SEASPRAY PRIVATE
Creating Investment Solutions



Monday
16.12.2024



Weekly Market Review

Financial Headlines

United States

The final inflation print of 2024 was released for the US last week. The rate of inflation for November rose to 2.7%, the second consecutive month where the annual rate has risen, but still in line with market expectations. The higher rate can be attributed to energy prices declining by less than in October, with gasoline prices falling -8.1% vs -12.2% in October and fuel oil falling -19.5% vs -20.8% in October. Food prices also rose by more than in October (2.4% vs 2.1%), which is one of the key inflation metrics. Overall, the higher rate is not expected to impact upon the Federal Reserve's rate decision this week, where a 25bps cut is still expected. However, the trajectory next year is less certain, as the Fed wrestles with its dual mandate to keep inflation close to 2 per cent and maintain a healthy labour market.

Europe & UK

In Europe, the ECB once again cut rates last week, opting for a 25bps cut. This is the fourth reduction in interest rates by the ECB in 2024, and the Central Bank kept the door open for further rate cuts through 2025, as growth is tempered by political instability at home, and the threat of trade tariffs from the US. Latest Eurozone economy forecast is for growth of 1.1% for 2025, down from the 1.3% estimate in September.

In the UK, for the first time ever renewable energy sources will account for more of UK's electricity generation than non-renewables. Combined solar, wind and hydropower will make up 37% of total power generation in 2024, more than the 35% expected from fossil fuels. Wind energy may also become the top source of power in the country, narrowly overtaking gas power.

Ireland

Generative Artificial Intelligence could add upwards of €148bn to Ireland's GDP over the next fifteen years, according to Accenture. The report states that across all the industries covered by the report, €22bn of annual savings could be achieved through the full usage of Gen AI. In terms of productivity, the Financial Services and Life Sciences sectors could both see gains of between 20% and 30%. Back to Christmas 2024, it is expected that Irish consumers will spend on average 14% more this Christmas compared to 2023.

Asia-Pacific

China's Communist Party Politburo announced a move from "prudent" to "moderately loose" monetary policy last week, the first such easing since 2011. Coupled with proactive fiscal measures, the shift aims to boost domestic consumption and stabilise financial markets. The announcement on December 9th builds on a series of stimulus measures rolled out by China in recent months. As Beijing prepares for the annual parliamentary session in early 2025, boosting domestic consumption is a key priority, with expectations that the GDP growth target will be set around 5%. Fears of continued slow growth and the risk of deflation have grown in recent months, with the recent November rate of inflation slowing to 0.2%, well below forecasts of 0.5%.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	6051.09	-0.52%	+26.86%
NASDAQ	19,926.72	+0.46%	+32.74%
EuroStoxx50	4,967.95	-0.71%	+9.88%
EuroStoxx600	516.45	-1.18%	+7.82%
FTSE 100	8,300.33	-0.55%	+7.33%
ISEQ	9,826.77	+1.40%	+12.17%

Interest Rate	Current Rate	Direction	Rate Change
FED	4.75%	—	0
ECB	3.40%	↓	-0.25%
BOE	4.75%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.394	+5.93%	+13.66%
US 2YR	4.243	+3.60%	-0.16%
German 10YR	2.2470	+6.37%	+10.80%
UK 10YR	4.4105	+3.16%	+24.63%
Irish 10YR	2.542	+6.23%	+6.63%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0502	-0.54%	-4.91%
EUR/GBP	08321	+0.41%	-4.07%
GBP/USD	1.2618	-0.93%	-0.83%



Equities

In the US, equity markets fell initially last week, as NVIDIA became the target of a new probe being conducted by Chinese authorities into anti-monopoly laws. This caused the chip maker to retreat by 2.5%, dragging the wider market lower. The S&P 500 and NASDAQ both fell by 0.6%. Declines continued on Tuesday, with the S&P 500 and NASDAQ down over 0.3%, as markets braced for the November inflation print. Mega caps had a mixed day, with Alphabet shares rising over 5% after announcing a new generation chip called Willow, which could lead to a new breakthrough in quantum computing. NVIDIA shares dropped over 2% due to the ongoing anti trust probe in China. Markets broke their losing streak on Wednesday, with the S&P 500 up 0.9% and the NASDAQ up over 1.7%, hitting a new record high in the process. US inflation data was in line with expectations, even though it once again ticked upwards. However, market pricing indicated that investors now assign a more than 98 per cent probability for a quarter-point rate cut at the last Fed meeting of 2024 being held on 18th December. In corporates, Alphabet shares jumped another 5% on the back of its quantum computing breakthrough. Markets once again turned negative on Thursday, as the US Producer Price Index (PPI) rose by 0.4% in November, higher than the 0.3% forecasted. For the week, the S&P 500 closed -0.52% lower while the NASDAQ closed 0.46% higher.

In Europe, Monday saw markets advance, as investors eyed the European Central Bank rate decision on Thursday where a rate cut of 25 basis points was expected. In corporates, luxury goods companies such as Kering rose due to the announcement by the Chinese Government that they would implement more proactive fiscal and looser monetary policy. In the UK, the FTSE 100 rose by 0.6%, as mining and natural resource stocks rose due to the positive Chinese sentiment. European shares ended their winning streak on Tuesday, as poor economic data from China, particularly exports, weighed heavy on the Bloc, which is one of China's biggest export partners. The Eurostoxx50 fell 0.7% while the STOXX600 fell 0.5% as a result. In corporates, Stellantis shares rose over 1% after announcing plans to build a €4.1bn battery plant in Spain by 2026 in conjunction with CATL, a Chinese battery manufacturer. In the UK, the FTSE 100 fell 0.9%, tracking EU losses on the back of the weak Chinese export data. European markets finished higher on Wednesday despite opening lower, due to the US inflation print. In the UK, the FTSE 100 closed higher, tracking the gains in Europe and the US. Gains from heavily weighted firms such as Astrazeneca and HSBC helped the index close in the green following two days of losses. The ECB cut rates by 25bps as expected on Thursday, its fourth rate cut of 2024. This latest rate cut had already been priced in by markets, which were directionless after the announcement. In the UK, the FTSE 100 rose due to Diageo's upgrade to "Buy" by UBS. For the week, European and UK equities closed lower, down between -0.55% and -1.18%.

Bonds

Global bond yields rose last week, with the US 10yr yield reaching 4.39% on Friday. The increase was due to the higher rate of US inflation recorded in November, which, if the upward trend continues, may slow the rate at which the Fed continues to cut US interest rates through 2025. However, markets have fully priced in a 25bps cut this coming week. In the UK, the 10yr Gilt reached 4.41% as markets expect a cautious approach from the BoE in 2025 ahead of their upcoming rate decision this week.

Commodities

Crude oil prices rose last week, with sanctions on Russian oil by the EU and prospects of sanctions by the US on both Russia and Iran sending prices higher. This was despite OPEC decreasing its demand outlook for 2025 for the fifth month in a row. Brent crude closed at \$74.49, while WTI closed at \$71.29. In metals, the price of Gold rose slightly last week to \$2647, as markets continue to assess how quickly the Fed will continue cutting rates in 2025 in light of recent economic data sets.

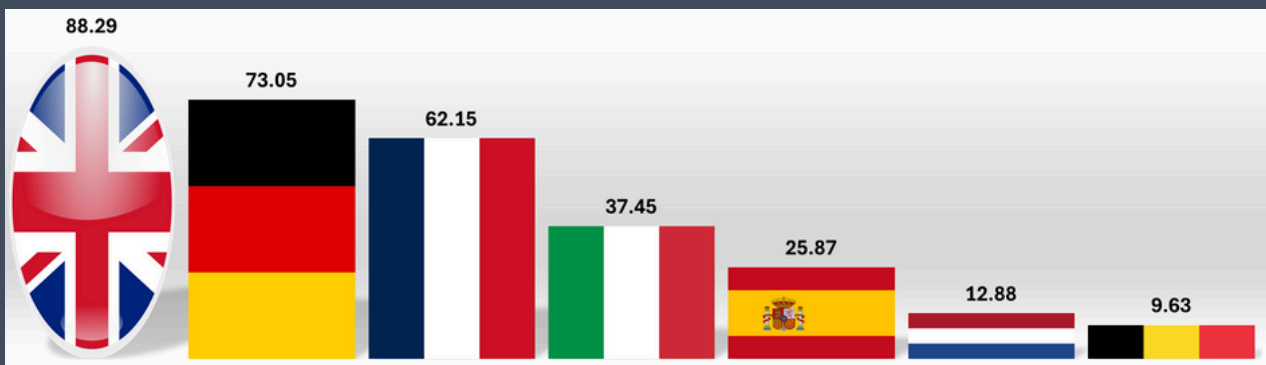
Key Events

- 18/12/2024 - Federal Reserve Rate Decision
- 19/12/2024 - Bank of England Rate Decision



Data Insight of the Week

Estimated total Christmas spending in retail in Europe (online and in-store) in 2024, by country (£bn)



This week's festive Data Insight looks at the forecasted Christmas season spending in both the United States and some of the largest countries in Europe.

<https://seasprayprivate.ie/christmas-spending-in-the-us-and-europe/>