

Financial Headlines

United States

Minutes of the latest Federal Reserve meeting were released last week. The minutes stated that all members of the Federal Open Market Committee were comfortable with keeping the US interest rate at its current level of 4.50%. However, members did highlight the economic policies of new US President Trump may have an effect on the disinflationary process. Business contacts in a number of districts across the US told the Fed that they expected prices to rise and therefore would attempt to pass these costs onto consumers. Another issue raised was the potential for another debt ceiling issue, with Republicans currently attempting to raise the ceiling, which currently stands at just over \$36 trillion, by a further \$4 trillion, which could take months to negotiate.

Europe & UK

In Europe, the preliminary results of the German Federal Election indicated that the centre right CDU and CSU have secured victory, with the parties winning approximately 28.5% to 29% of the vote. This paves the way for Friedrich Merz to become Chancellor, though the makeup of the next Government is not clear yet.

In the UK, the rate of inflation accelerated to 3% for January, a sharp increase from the December rate of 2.5% and the highest rate since March 2023. The main drivers of this increase included higher air fares and motor fuels, which caused transport prices to rise by 1.7% compared to a decline in December of -0.6%. Prices also rose for food and non-alcoholic drinks, increasing by 3.3% in January compared to 2.5% in December. Crucially, services inflation, which is a key metric for the Bank of England, rose to 5% in January, below BoE forecasts of 5.2%.

Ireland

Exports in Ireland reached unprecedented levels in 2024, primarily driven by a surge in pharmaceutical exports. The total export figure for 2024 was estimated at €223.8 billion, with Medical and Pharmaceutical products contributing €99.9 billion, marking a substantial 29% increase from 2023. The EU27 represented the largest portion of exports, amounting to €88 billion, a 9% rise year on year. A significant highlight was the United States, which experienced a remarkable 34% increase in goods exported in 2024, a statistic that may place Ireland under scrutiny for potential tariffs from the new US administration.

Asia-Pacific

The Japanese economy grew by 0.7% in the final quarter of 2024, growing by more than double the market expectation of 0.3% and ahead of the Q3 2024 growth rate of 0.4%. The Q4 rate also marked the third consecutive quarter where Japan's economy has grown, due to increased business investment and spending. However, Japan's trade deficit increased considerably for January 2025, with imports rising by 16.7%, a two year high, while exports rose by 7.2%, below estimates of 7.9%. While the country is running a trade deficit, the positive economic growth has put Japan in a strong position to tackle what will be a turbulent 2025, due to Japan's close trade relationship with the United States. Japanese inflation also hit a two year high of 4% in January, as a result of a 7.8% increase in food prices.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	6,013.13	-1.77%	+2.24%
NASDAQ	19,524.01	-2.15%	+1.10%
EuroStoxx50	5,474.85	-0.37%	+11.82%
EuroStoxx600	553.85	+0.05%	+9.11%
FTSE 100	8,659.37	-0.86%	+5.95%
ISEQ	10,615.57	+2.63%	+8.80%

Interest Rate	Current Rate	Direction	Rate Change
FED	4.50%	—	0
ECB	2.90%	—	0
BOE	4.50%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.43	-1.05%	-3.11%
US 2YR	4.19	-1.43%	-0.88%
German 10YR	2.4625	+1.63%	+4.25%
UK 10YR	4.57	+1.61%	+0.12%
Irish 10YR	2.76	+1.84%	+5.07%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0458	-0.17%	+0.99%
EUR/GBP	0.8278	-0.30%	+0.07%
GBP/USD	1.2630	+0.02%	+0.90%

Equities

In the US, equity market sentiment was mixed, despite the ongoing risks which trade tariffs could pose to the US economy. Tariffs remained a key talking point, with President Trump stating he would likely impose 25% tariffs on all US imports of automobiles, semiconductors and pharmaceutical products in early April. Once again it is Mexico which will be impacted more than any other country, with nearly three million vehicles exported to the US last year. In terms of brands, Volkswagen imports 80% of the cars it sells in the US, making it the most exposed of any manufacturer globally to these tariffs. The other big story was the ceasefire talks between the US and Russia, with officials from both sides agreeing to lay the groundwork for future talks on ending the war. In corporates, Walmart, the world's largest retailer, posted revenues of \$180bn for Q4, however its sales and profit forecast for 2026 were below market expectations. Vanguard also overtook State Street for the title of world's largest exchange traded fund (ETF), with the company's VOO S&P 500 fund holding assets totalling \$631.8bn, just ahead of State Street's SPY S&P 500 fund which has \$630.3bn in assets. Markets dipped on Friday as US private sector activity slowed considerably in February. For the week, the S&P 500 and NASDAQ fell -1.77% and -2.15% respectively.

In Europe, markets were impacted most by the news of potential US tariffs on automobiles, semiconductors and pharma products. These tariffs in particular could be damaging for countries such as Germany, who exported \$34bn worth of vehicles and \$17bn worth of pharmaceutical products in 2024 to the US. Ireland could also be impacted, as €58bn worth of chemicals and related products, which include pharmaceutical products, were exported to the US last year. Markets also focused on the hopes of a ceasefire in Ukraine. Corporate earnings were also in the spotlight last week. Schneider Electric, the French electrical equipment maker saw revenues increase by 12.5% in Q4 2024, beating market expectations. Much of this was attributed to demand for its energy management division, which includes data centres. The company also forecast a larger than anticipated rise in its 2025 profit margin. Elsewhere, Mercedes Benz saw sales decline in its key markets of China and Germany. For the week, the Eurostoxx50 closed -0.37% while the broader STOXX600 closed +0.05% higher.

In the UK, the FTSE 100 was predominantly impacted by the higher inflation rate for January and key earnings. The rate of inflation for January rose to 3%, ahead of market estimates. HSBC reported earnings last Tuesday, with the Asia-focused banking group reporting profit before tax of \$32.3bn, an all time record. However, due to restructuring efforts undertaken by the firm's new CEO, costs of \$1.8bn will be incurred by the end of 2026. For the week, the FTSE 100 closed lower, down -0.86%.

Bonds

Global bonds were mixed last week, with the US 10 year yield falling to 4.43%. The minutes from the latest Fed meeting revealed that officials were concerned about potential inflationary pressures caused by tariffs and were comfortable to keep rates at current levels, however yields retreated after the US service sector contracted sharply in February, increasing the likelihood of more than one cut in 2025. In the UK, the 10yr Gilt rose to 4.57%, due to the higher inflation figure of 3%, however BoE chair Andrew Bailey stated this spike in inflation was transitory in nature and not prolonged.

Commodities

Crude oil prices rose last week, as supply issues in key areas impacted upon prices. OPEC+ delayed a supply increase due to a drone strike on a pipeline in Kazakhstan, which reduced flow through this pipeline by 40%. US crude inventories also rose last week for the fourth consecutive week. Brent crude closed at \$74.43, while WTI closed at \$70.40. In metals, Gold prices neared \$3,000 per ounce, with prices increasing by 11% YTD, due to increased demand as a result of geopolitical uncertainty.

Key Events

- 28/02/2025 - German Inflation Rate
- 28/02/2025 - US Core PCE Price Index



Data Insight of the Week

Seaspray Private is delighted to announce the next release in our Financial Insights series - "Continued Growth and Opportunities in AI". Artificial Intelligence isn't just a trend - it's reshaping industries, driving innovation, and creating investment opportunities.

To watch this insight please click the link below

<https://www.youtube.com/watch?v=Yd0l7iTP8cl>



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