Stocks feel the heat as inflation pressure builds

Global equity returns were negative last week as inflation fears once again came to the fore, following the latest data release from the US. Core inflation (which excludes food and energy) rose 0.9% in June, which was approximately twice what was expected. This also translates into an annualised rate of 4.5%, which is the fastest rate in 30 years. Whilst used cars accounted for a large portion of the figure, there were increases across the board as the concept of inflation being 'transitory' continues to be questioned by some market participants.

Interestingly, 44% of small US businesses have also indicated that they are putting plans in place to raise prices – the highest reading in over 40 years. Fed Chair Powell soothed some market concerns as he appeared before Congress later in the week. It is also worth noting that Treasury Yields fell last week, which suggests the bond market may believe that price increases have peaked. However, inflation looks set to be the main topic of conversation for the rest of the year.

Elsewhere data was mixed, as manufacturing activity missed estimates whilst retail sales rose 0.6%, versus a consensus forecast of -0.4%. The Bank of Japan kept interest rate policy on hold, but in keeping with recent moves from policymakers globally, did release a statement on climate strategy which included a number of incentives to help shift towards a greener economy. Earnings were broadly positive last week, led by some of the big US financials. However, they weren't necessarily rewarded in terms of price action as macro factors dominated the week's market agenda.

The UK remains on course to lift remaining COVID-19 restrictions today, amidst strong criticism from health officials as delta variant case numbers continue to rise. France, the Netherlands, and Germany have paused reopening for the time being as parts of the continent start to recover from strong flash flooding last week.

Our regular market information continues on the next page.

Snapshot

Corporate Bonds
Sovereign Bonds
Gold

World Equities
Oil
Copper

The week ahead	
20 July	June Japanese inflation figures go to print.
22 July	The ECB meets for its latest interest rate decision.
23 July	The latest eurozone PMI data is released.

	1 Week Return 12.07.21 to 19.07.21		Year to Date Return 01.01.21 to 19.07.21	
	Local Currency	Euro	Local Currency	Euro
World	-1.4%	-0.9%	13.4%	17.5%
U.S.	-1.3%	-0.9%	15.3%	19.5%
Europe	-1.2%	-1.2%	15.6%	15.6%
Ireland	-1.5%	-1.5%	10.0%	10.0%
U.K.	-1.6%	-1.8%	11.3%	16.3%
Japan	-1.3%	-0.6%	8.1%	5.0%
Hong Kong	1.4%	1.9%	10.8%	14.6%
Corporate Bonds	0.1%	0.1%	-0.6%	-0.6%
Sovereign Bonds	0.8%	0.8%	-2.6%	-2.6%

Equities

- Global stocks were down last week by -0.9% in euro terms and -1.4% in local terms.
- Year-to-date global markets are up 17.5% in euro terms and 13.4% in local terms.
- The U.S market, the largest in the world, was down -0.9% in euro terms and -1.3% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.27% last week, down from 1.34% a week earlier. The German equivalent finished at -0.37%. The Irish 10-year bond yield finished flat at 0.00%.
- The Euro/U.S. Dollar exchange rate finished at 1.18, whilst Euro/GBP finished at 0.86.

Commodities

- Oil finished the week at $71 per barrel and is up 50.8% year-to-date in euro terms.
- Gold finished the week at $1,807 per troy ounce and is down -1.3% year-to-date in euro terms.
- Copper finished the week at $9,391 per tonne.

Figures are calculated using Total Returns Indices.

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