

Hawkish Fed tone hurts equities

Equities fell last week as markets struck a more cautious tone following the release of the minutes from the December Federal Reserve meeting. The minutes suggests that the Fed are considering letting their balance sheet reduce at a faster rate than what was previously forecast. Growth stocks, namely technology, were worst hit as the US treasury yield rose sharply as a result. Last week also saw the latest monthly US jobs report which saw mixed results. The headline number of 199,000 jobs added was lower than forecast (400,000), but the unemployment rate fell further and now stands at 3.9%. This provided further evidence that the US jobs market may have undergone a structural shift during the pandemic, with companies struggling to entice workers back. A fact supported by the persistent wage growth currently evident in the US.

Other US data was also mixed with the manufacturing PMI falling to 58.7 in December. This is still comfortably in expansion territory (above 50), the fall was mainly due to shorter supplier delivery times, which could be interpreted as an easing of the supply chain blockages. The services reading also missed expectations but similarly remains above 50.

In the eurozone, inflation in December came in at 5% (YoY) which was above expectations of 4.8%, albeit only a slight tick up from the November reading of 4.9%. The gains were largely attributed to energy increases as core CPI remained flat at 2.6% whilst the services component saw a decline. Eurozone retail sales saw gains, rising 1% in Q4 versus Q3. Eurozone shares took their lead from the US, and also posted losses for the week. Core bond yields rose, with the 10 year German Bund almost moving back into positive territory at one point, before settling just below zero. In the UK the FTSE 100 rallied, helped by its relative weighting to the energy and bank sectors.

Our regular market information continues on the next page.

Snapshot



Oil



World Equities
Corporate Bonds
Sovereign Bonds
Gold
Copper

The week ahead

11 Jan	Fed Chair Powell speaks to Congress.
12 Jan	The latest US inflation reading is published.
14 Jan	US Retail Sales for December goes to print.



	1 Week Return 04.01.22 to 10.01.22		Year to Date Return 01.01.22 to 10.01.2022	
	Local Currency	Euro	Local Currency	Euro
World	-2.0%	-2.4%	-1.7%	-1.4%
U.S.	-2.8%	-3.3%	-2.2%	-2.0%
Europe	-1.3%	-1.3%	-0.7%	-0.7%
Ireland	-0.2%	-0.2%	-0.2%	-0.2%
U.K.	1.7%	2.1%	1.7%	2.1%
Japan	0.3%	-0.5%	0.3%	0.1%
Hong Kong	0.3%	-0.2%	0.9%	1.1%
Corporate Bonds	-0.4%	-0.4%	-0.7%	-0.7%
Sovereign Bonds	-1.12%	-1.12%	-1.12%	-1.12%

Equities

- Global stocks were down last week by -2.4% in euro terms and -2.0% in local terms.
- Year-to-date global markets are down -1.4% in euro terms and -1.7% in local terms.
- The U.S market, the largest in the world, was down -3.3% in euro terms and finished at -2.8% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.78% last week. The German equivalent finished at -0.04%. The Irish 10-year bond yield finished at 0.35% to remain in positive territory.
- The Euro/U.S. Dollar exchange rate finished at 1.13, whilst Euro/GBP finished at 0.83.

Commodities

- Oil finished the week at \$79 per barrel and is up 5.6% year-to-date in euro terms.
- Gold finished the week at \$1,799 per troy ounce and is down -1.3% year-to-date in euro terms.
- Copper finished the week at \$9,692 per tonne.

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