US equities enter bear market, euro weakness provides some protection

Equity markets suffered their worst week since March 2020 as the flagship S&P 500 index slid into a bear market last Monday, before finishing the week 24% off its record high set in the first week of 2022. Bonds offered little comfort as yields in the US rose further as the Federal Reserve acted once again. Following the higher-than-expected inflation print on Friday 10th June, interest rate expectations shifted higher once more, which culminated with the Fed raising by 75 bps on Wednesday. This was the largest move in 27 years as the committee also signalled that the pace of tightening would remain aggressive.

The impact of higher rates in the US have already been felt in the housing market. The average 30-year mortgage rate now stands at 5.8% - the highest since the financial crisis. The knock-on effect in demand, and supply, has been immediate with housing starts falling over 14% in May with building permits slipping 7%. Outside of the housing market, general retail sales also decline -0.3% throughout May.

In the UK, the Bank of England moved rates higher by 25bps to 1.25%. The committee voted 6-3 in favour of the move, with the three dissenting members opting for a 50bps hike. UK inflation is forecast to hit 11% by the end of the year, one of the highest rates in the developed world. Eurozone bonds experienced some relative respite last week as the ECB attempted to assuage concerns over periphery borrowing costs (namely Italy). How the ECB navigates a path of higher interest rates without causing large divergence in individual member borrowing costs remains a key policy challenge. In Asia, the Chinese economy continues to improve following the latest COVID lockdown. Although some key metrics (e.g., retail sales) are still in contraction territory, recent releases have been better than expected – providing some cause for optimism within the region.

Our regular market information continues on the next page.

Snapshot

Corporate Bonds

World Equities

Sovereign Bonds

Oil

Gold

Copper

The week ahead

20 June	US markets are closed for the Juneteenth holiday.
22 June	UK CPI and eurozone consumer confidence go to print.
23 June	US, eurozone, and UK PMIs are all released..

	1 Week Return 13.06.22 to 20.06.22		Year to Date Return 01.01.22 to 20.06.22	
	Local Currency	Euro	Local Currency	Euro
World	-2.3%	-2.6%	-22.4%	-15.6%
U.S.	-1.9%	-2.2%	-23.6%	-16.9%
Europe	-2.1%	-2.1%	-18.2%	-18.2%
Ireland	-1.7%	-1.7%	-27.8%	-27.8%
U.K.	-2.7%	-2.6%	-0.7%	-2.9%
Japan	-3.6%	-4.9%	-7.6%	-14.5%
Hong Kong	-1.6%	-1.9%	-7.1%	0.4%
Corporate Bonds	0.5%	0.5%	-13.2%	-13.2%
Sovereign Bonds	-0.9%	-0.9%	-19.0%	-19.0%

Equities

- Global stocks were down last week by -2.6% in euro terms and -2.3% in local terms.
- Year-to-date global markets are down -15.6% in euro terms and -22.4% in local terms.
- The U.S market, the largest in the world, was down -2.2% in euro terms and -1.9% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 3.23% last week. The German equivalent finished at 1.63%. The Irish 10-year bond yield finished at 2.31%.
- The Euro/U.S. Dollar exchange rate finished at 1.05, whilst Euro/GBP finished at 0.86.

Commodities

- Oil finished the week at $109 per barrel and is up 56.9% year-to-date in euro terms.
- Gold finished the week at $1,840 per troy ounce and is up 8.8% year-to-date in euro terms.
- Copper finished the week at $8,967 per tonne.

Figures are calculated using Total Returns Indices.

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