

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.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Source ICE Data Indices, LLC ("ICE DATA"), is used with permission. ICE DATA, ITS AFFILIATES AND THEIR RESPECTIVE THIRD PARTY SUPPLIERS DISCLAIM ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS AND/OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, INCLUDING THE INDICES, INDEX DATA AND ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM. NEITHER ICE DATA, ITS AFFILIATES NOR THEIR RESPECTIVE THIRD PARTY PROVIDERS SHALL BE SUBJECT TO ANY DAMAGES OR LIABILITY WITH RESPECT TO THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE INDICES OR THE INDEX DATA OR ANY COMPONENT THEREOF, AND THE INDICES AND INDEX DATA AND ALL COMPONENTS THEREOF ARE PROVIDED ON AN "AS IS" BASIS AND YOUR USE IS AT YOUR OWN RISK. ICE DATA, ITS AFFILIATES AND THEIR RESPECTIVE THIRD PARTY SUPPLIERS DO NOT SPONSOR, ENDORSE, OR RECOMMEND ZURICH LIFE ASSURANCE PLC, OR ANY OF ITS PRODUCTS OR SERVICES.

Figures are calculated using Total Returns Indices.

Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

Intended for distribution within the Republic of Ireland.

GR: 5685 Print Ref: ZL ISA 5685 0121

