Investors look back at inflation, but forward to economic growth

Wednesday's US consumer price index print was the big economic release last week, as investors weigh up inflation, interest rates and the subsequent impact on economic growth. The headline CPI figure rose more than forecast, hitting an annual pace of 9.1% (versus a consensus of 8.8%) which represents a fresh 40 year high. Once volatile elements such as food and energy are stripped out, 'core' inflation came in at an annualised pace of 5.9% versus a pace of 6.0% from one month ago. Investors now expect another 0.75% interest rate move higher later this month from the Fed, with a historic 1.0% hike also being suggested by some forecasters. Equity markets regained some of the immediate losses into the weekend as investors in technology stocks reasoned that interest rate hikes are now fully 'baked in' to market prices.

Other economic releases from the US illustrated that inflation expectations are moving lower. For example, the monthly US consumer sentiment report from the University of Michigan showed that America's five-year inflation expectations have moved sharply lower to stand at 2.8%, the lowest level in over a year. Thursday's producer price report did show a higher-than-expected increase, but once energy costs were stripped out several components were lower. For example, copper, aluminium, and lumber have all seen falls of over 20% since their 2022 peaks. Oil also dropped last week to below $95 a barrel for the first time since the invasion of Ukraine.

In the UK, economic growth surprised to the upside in May, with a monthly advance of 0.5%. Whilst some of the underlying data hinted at the effects of inflation on households, the headline figure was a welcome development after the negative growth experience in April. China, the world's second biggest economy, expanded 0.4% in the 2nd quarter. The tepid growth has largely been attributed to the 'zero-covid' policy and the full year target of 5.5% is now not expected to be achieved.

Our regular market information continues on the next page.

Snapshot

Corporate Bonds
Sovereign Bonds

World Equities
Oil
Gold
Copper

The week ahead	
20 July	UK inflation for June is published.
21 July	The ECB meets for its latest interest rate decision.
22 July	Flash PMIs from several regions go to print.

	1 Week Return 11.07.22 to 18.07.22		Year to Date Return 01.01.22 to 18.07.22	
	Local Currency	Euro	Local Currency	Euro
World	-0.1%	-0.1%	-19.8%	-9.5%
U.S.	0.2%	0.2%	-19.6%	-9.3%
Europe	-0.1%	-0.1%	-15.9%	-15.9%
Ireland	-1.4%	-1.4%	-30.2%	-30.2%
U.K.	-0.6%	-0.8%	1.6%	0.3%
Japan	-1.1%	-1.8%	-4.6%	-10.6%
Hong Kong	-1.9%	-1.9%	-6.0%	5.3%
Corporate Bonds	0.1%	0.1%	-10.4%	-10.4%
Sovereign Bonds	2.0%	2.0%	-15.0%	-15.0%

Equities

- Global stocks were down last week by -0.1% in euro terms and -0.1% in local terms.
- Year-to-date global markets are down -9.5% in euro terms and -19.8% in local terms.
- The U.S market, the largest in the world, was up 0.2% in euro terms and 0.2% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 2.96% last week. The German equivalent finished at 1.22%. The Irish 10-year bond yield finished at 1.84%.
- The Euro/U.S. Dollar exchange rate finished at 1.02, whilst Euro/GBP finished at 0.85.

Commodities

- Oil finished the week at $99 per barrel and is up 47.7% year-to-date in euro terms.
- Gold finished the week at $1,721 per troy ounce and is up 5.3% year-to-date in euro terms.
- Copper finished the week at $7,178 per tonne.

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

ZURICH