Markets rattled as Trussenomics Induces Gilt Trip

Last week's most prominent development was undoubtedly the fallout from the announcement of the new UK government's mini budget growth plan the previous Friday. Newly appointed Chancellor Kwarteng's deficit-ballooning budget worried investors about the UK's future fiscal sustainability. Sterling tumbled to a 37-year low of $1.0327 against the dollar on Monday as some of the largest tax cuts in 50 years were set to be enacted. Thirty-year gilt yields, rose to a 20-year high of above 5% on Wednesday, before dropping by more than 100 basis points (1%) after the BoE were forced to intervene by carrying out temporary purchases of long-dated gilts. The pound however held gains on Friday after a three-day advance, as investors speculated whether Liz Truss' government would backtrack from their planned fiscal policies. This morning, after widespread opposition, Kwarteng U-turned on plans to scrap the UK's 45% top rate of income tax.

Within the US, the S&P 500 Index headed for a third straight quarter of losses, it's first since 2009, down nearly 25% YTD. Speaking on Wednesday, Federal Reserve Chairman Jay Powell reiterated the Fed's inflation fighting message, ensuring that investors do not foresee a dovish pivot from the Fed anytime soon. This hawkishness continues to weigh on equities. On Thursday the US commerce Department reported that Inflation-adjusted gross domestic income, a key gauge of economic activity in the US, rose by a 0.1% annualized rate in the second quarter. This represents a sharp downward revision from the previously reported 1.4% gain.

Within the Eurozone a record high inflation print of 10% YoY was reported last week, as a result of the bloc's supply side limitations. This puts more pressure on the ECB to hike rates over the coming months. The euro continues to weaken against the dollar trading at $0.981 as of Monday.

Our regular market information continues on the next page.

Snapshot

World Equities
Corporate Bonds
Sovereign Bonds
Oil
Gold
Copper

The week ahead

5 Oct	Manufacturing and Services PMIs for September are released.
6 Oct	ECB Monetary Policy Meeting Account.
7 Oct	US Unemployment data is released.

	1 Week Return 26.09.22 to 03.10.22		Year to Date Return 01.01.22 to 03.10.22	
	Local Currency	Euro	Local Currency	Euro
World	-1.2%	-2.7%	-25.4%	-13.4%
U.S.	-1.8%	-3.3%	-25.1%	-13.0%
Europe	-0.2%	-0.2%	-20.7%	-20.7%
Ireland	-0.7%	-0.7%	-29.5%	-29.5%
U.K.	-1.7%	0.1%	-1.3%	-5.6%
Japan	-1.0%	-2.7%	-7.5%	-14.5%
Hong Kong	-4.4%	-5.8%	-18.9%	-6.4%
Corporate Bonds	-0.1%	-0.1%	-15.3%	-15.3%
Sovereign Bonds	-1.8%	-1.8%	-22.6%	-22.6%

Equities

- Global stocks were down last week by -2.7% in euro terms and -1.2% In local terms.
- Year-to-date global markets are down -13.4% in euro terms and -25.4% In local terms.
- The U.S market, the largest in the world, was down -3.3% in euro terms and -1.8% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 3.80% last week. The German equivalent finished at 2.14%. The Irish 10-year bond yield finished at 2.72%.
- The Euro/U.S. Dollar exchange rate finished at 0.98, whilst Euro/GBP finished at 0.88.

Commodities

- Oil finished the week at $83 per barrel and is up 27.8% year-to-date in euro terms.
- Gold finished the week at $1662 per troy ounce and is up 5.3% year-to-date in euro terms.
- Copper finished the week at $7683 per tonne.

Figures are calculated using Total Returns Indices.

Warning: Past performance is not a reliable guide to future performance.
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