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Weekly Investment Review
17 October 2022

Markets remain under pressure as inflation stays sticky

Last week saw the US consumer price index come in higher than expected with core inflation rising 6.6% for September, faster than the 6.3% rate in August. Headline inflation rose by 0.4% month on month, double market expectations. The sticky inflation reading consolidated predictions of a 75bps rate hike by the Fed in November. The most notable reaction to this was within US Treasuries, with both the 10-Year and 30-Year Treasury yields rising above the psychologically significant number of 4% on Thursday.

Friday also saw the release of corporate earnings reports for major banks and financial institutions, which gave investors an insight into the health of companies amid rising borrowing costs. JPMorgan Chase for example displayed lower earnings this quarter, showing a net income of $9.7bn, down from $11.7bn for the same period last year. This was higher than expectations of $8.9bn. The consensus for earnings was mixed with other banks such as Morgan Stanley coming in below expectations showing a 30% drop in profits. Despite some strong earnings, equities continued to be guided by inflation concerns and the US market ended the week down 1.5%.

In Europe, the UK 'Mini Budget' continued to move markets as UK Prime Minister Liz Truss backtracked further after plans to pause an increase in corporation tax were reversed. UK gilt yields continued to rise with the 30-Year reaching 4.8% on Friday, as investors showed little confidence in UK policymaking. The UK Chancellor of the Exchequer Kwasi Kwarteng resigned on Friday after just one month in office. The 10-Year German Bund yield, which serves as a regional benchmark, rose to 2.4% on Wednesday, its highest since 2011 with some investors viewing this as a possible inflection point within European sovereign bonds.

Snapshot

Corporate Bonds
Copper

World Equities
Sovereign Bonds
Oil
Gold

The week ahead	
19 Oct	UK and Eurozone inflation goes to print.
20 Oct	US Home Sales data is released.
21 Oct	EU Leaders Summit.

	1 Week Return 10.10.22 to 17.10.22		Year to Date Return 01.01.22 to 17.10.22	
	Local Currency	Euro	Local Currency	Euro
World	-0.8%	-1.3%	-25.5%	-13.1%
U.S.	-1.0%	-1.5%	-25.2%	-12.8%
Europe	0.4%	0.4%	-20.0%	-20.0%
Ireland	0.4%	0.4%	-28.1%	-28.1%
U.K.	-1.5%	-0.2%	-1.8%	-4.8%
Japan	-0.4%	-2.6%	-4.0%	-13.1%
Hong Kong	-3.5%	-4.0%	-20.5%	-7.9%
Corporate Bonds	0.4%	0.4%	-15.7%	-15.7%
Sovereign Bonds	-1.8%	-1.8%	-24.6%	-24.6%

Equities

- Global stocks were down last week by -1.3% in euro terms and -0.8% In local terms.
- Year-to-date global markets are down -13.1% in euro terms and -25.5% In local terms.
- The U.S market, the largest in the world, was down -1.5% in euro terms and -1.0% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 3.94% last week. The German equivalent finished at 2.24%. The Irish 10-year bond yield finished at 2.79%.
- The Euro/U.S. Dollar exchange rate finished at 0.98, whilst Euro/GBP finished at 0.87.

Commodities

- Oil finished the week at $86 per barrel and is up 33.2% year-to-date in euro terms.
- Gold finished the week at $1,656 per troy ounce and is up 5.5% year-to-date in euro terms.
- Copper finished the week at $7,653 per tonne.

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