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Markets cheer potential Fed rate cut, as US-Iran tensions simmer

Snapshot



World Equities

Sovereign Bonds

Corporate Bonds

Copper

Gold

Oil



Week Ahead

25 June The minutes of the latest Bank of Japan policy meeting are released.

27 June US GDP for Q1 is expected to be confirmed at 3.1% (QoQ).

28 June UK GDP and Eurozone inflation data goes to print.

The US Federal Reserve kept rates on hold in their latest FOMC meeting, but kept the door open for potential cuts later in 2019. With inflation remaining muted, coupled with growing economic uncertainty, this gives Fed Chair Powell some flexibility to act. The market is now expecting a rate cut of 25bps before the end of the summer, with the potential for another one before the end of the year. The other major Central Banks globally are also pivoting to more dovish stances. The S&P 500 hit a new high on Thursday, with the 10 year Treasury yield falling below 2% for the first time since 2016. Geopolitical developments did keep optimism in check with barbs being traded by both sides as a US drone was shot down earlier in the week. The ruling AKP party in Turkey suffered a setback, as they lost the Istanbul mayoral election.

	1 Week Return 14.06.19 to 21.06.19		Year to Date Return 31.12.18 to 21.06.19	
	Local Currency	**Euro**	**Local Currency**	**Euro**
World	2.2%	1.4%	15.6%	16.8%
U.S.	2.2%	0.8%	18.0%	18.9%
Europe	2.0%	2.0%	14.9%	14.9%
Ireland	0.0%	0.0%	15.0%	15.0%
U.K.	0.9%	0.6%	9.6%	10.6%
Japan	0.1%	-0.1%	4.2%	7.5%
Hong Kong	4.9%	3.6%	14.0%	15.1%
Corporate Bonds	0.9%	0.9%	5.0%	5.0%
Sovereign Bonds	0.7%	0.7%	8.3%	8.3%

Equities

- Global markets rose strongly last week, with the US, Europe and Hong Kong driving returns.
- Closer to home, Ireland was neutral with a 0.0% return for the week but is still up 15% YTD.

Fixed Income & FX

- The U.S. 10-year yield was slightly down for the week and finished at 2.05 having started the year at 2.68. The German equivalent was at a new record low of -0.29.
- The Euro/US Dollar exchange rate finished at 1.13, whilst Euro/GBP remained at 0.89.

Commodities

- Oil finished higher at $57.4 per barrel having started the week close to $52.5 per barrel.
- Gold finished the week up at $1,394 per troy ounce. Copper finished the week up at $5,957 per tonne.

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