Equities fall, but currency movements soften the blow

Equities hit record highs on Monday, before sliding over the course of the rest of the week. COVID concerns, Fed commentary, and disappointing retail sales figures all contributed to the decline. In the latest FOMC minutes released on Wednesday the Federal Reserve stated that 'most' participants now expect tapering to commence 'this year' which is sooner than the Fed had indicated, and therefore the market expected, previously. There are three meetings left this year with November the most likely to contain a clearer path to a tightening of monetary policy, albeit from the very loose current base. However, such timelines are highly dependent on future economic indicators.

Worries that U.S. growth may be peaking also hampered stocks, as retail sales fell 1.1% in July, below consensus estimates. Housing data was also mixed as starts fell more than expected, whilst housing permits surprised to the upside. Inflation in the eurozone increased 2.2% for the year to July, up from 1.9% in June and higher than the European Central Bank's 2% target for the first reading in some time, which led Chief Economist Philip Lane to assuage concerns about monetary tightening. In relation to eurozone earnings, nearly 90% of companies have reported with 62% beating on EPS, and 67% on sales. U.K. inflation fell to 2.0% as retail sales also disappointed for July, coming in at -2.5%.

In terms of COVID data, case numbers continue to rise and are at their highest levels since February across a number of developed countries. Fortunately, hospitalisations and deaths have not kept pace and are not as high as seen in previous 'waves'. However, concerns around the Delta variant and the efficacy of vaccines continue to persist.

Our regular market information continues on the next page.

Snapshot



Sovereign Bonds

Gold



World Equities

Corporate Bonds

Oil

Copper

The week ahead	
23 Aug	Flash PMIs from the U.S., eurozone, and U.K. all go to print.
26 Aug	The Jackson Hole Symposium for Central Bankers begins.
27 Aug	U.S. personal income and spending data for July is released.



	1 Week Return 16.08.21 to 23.08.21		Year to Date Return 01.01.21 to 23.08.21	
	Local Currency	Euro	Local Currency	Euro
World	-1.3%	-0.4%	15.6%	21.1%
U.S.	-0.8%	0.1%	18.4%	24.1%
Europe	-0.8%	-0.8%	19.7%	19.7%
Ireland	-0.5%	-0.5%	18.8%	18.8%
U.K.	-0.8%	-1.6%	13.2%	18.1%
Japan	-2.3%	-1.9%	5.3%	3.8%
Hong Kong	-1.8%	-1.0%	5.4%	9.9%
Corporate Bonds	-0.1%	-0.1%	0.1%	0.1%
Sovereign Bonds	0.3%	0.3%	-1.0%	-1.0%

Equities

- Global stocks were down last week by -0.4% in euro terms and -1.3% in local terms.
- Year-to-date global markets are up 21.1% in euro terms and 15.6% in local terms.
- The U.S market, the largest in the world, was up 0.1% in euro terms and -0.8% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.26% last week, flat from a week earlier. The German equivalent finished at -0.49%. The Irish 10-year bond yield finished in negative territory at -0.11%.
- The Euro/U.S. Dollar exchange rate finished at 1.17, whilst Euro/GBP finished at 0.86.

Commodities

- Oil finished the week at $63 per barrel and is up 36.1% year-to-date in euro terms.
- Gold finished the week at $1,786 per troy ounce and is down -1.9% year-to-date in euro terms.
- Copper finished the week at $9,044 per tonne.

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