Stocks pull back as sentiment shifts

Stocks fell for only the second month in 2021 as fears in relation to inflation and interest rates roiled equity and bond markets. A rally late on Friday reduced the losses but growth stocks underperformed, with energy the only sector to notch gains for the week. Concerns from both a monetary and fiscal perspective in the US were evident. US treasury yields rose as the policy path of the US Federal Reserve is seen as increasingly hawkish – albeit from a very loose base.

From a fiscal perspective Treasury Secretary Yellen once again warned that the debt ceiling would have to be raised for the US government to meet its obligations, and Biden's infrastructure plan faltered once more as an approval vote was delayed. Concerns were somewhat eased on Thursday as 15 Republican Senators joined Democrats to avert a government shutdown, in a separate issue to the debt ceiling.

In US data, PCE (the Fed's preferred measure of inflation) came in at a consensus annualised rate of 3.6% whilst durable goods orders rose 1.8% in August, well above a consensus estimate of 0.7%. Both measures suggest that an economic expansion is continuing, although newswires are littered with consistent reports of supply chain blockages affecting individual company prospects. Chinese PMI data was mixed, as the services measure rose back above 50 in September whilst the manufacturing figure dropped to 57.5 (albeit still in expansion territory). Eurozone equities and bonds took their lead from the US last week, with both major asset classes posting negative returns. Inflation rose to 3.4% in September, with the German component rising to a 29 year high. EU Finance Ministers meet this morning with the item certain to be top of the agenda..

Our regular market information continues on the next page.

Snapshot

Up:

Corporate Bonds

Oil

Gold

Down:

World Equities

Sovereign Bonds

Copper

The week ahead

4 Oct	OPEC meets to discuss additional oil output.
5 Oct	Eurozone and UK PMIs for September go to print.
8 Oct	The closely watched US non-farm payrolls data is published.

	1 Week Return 27.09.21 to 04.10.21		Year to Date Return 01.01.21 to 04.10.21	
	Local Currency	Euro	Local Currency	Euro
World	-2.3%	-1.4%	13.7%	19.9%
U.S.	-2.0%	-1.1%	16.3%	22.7%
Europe	-2.3%	-2.3%	15.1%	15.1%
Ireland	-3.2%	-3.2%	13.8%	13.8%
U.K.	-0.2%	-0.5%	12.8%	17.8%
Japan	-4.3%	-3.4%	12.0%	9.9%
Hong Kong	2.0%	2.9%	-0.1%	5.0%
Corporate Bonds	0.0%	0.0%	-0.9%	-0.9%
Sovereign Bonds	-0.2%	-0.2%	-3.9%	-3.9%

Equities

- Global stocks were down last week by -1.4% in euro terms and -2.3% in local terms.
- Year-to-date global markets are up 19.9% in euro terms and 13.7% in local terms.
- The U.S market, the largest in the world, was down -1.1% in euro terms and -2.0% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.49% last week. The German equivalent finished at -0.22%. The Irish 10-year bond yield finished at 0.15% to remain in positive territory.
- The Euro/U.S. Dollar exchange rate finished at 1.16, whilst Euro/GBP finished at 0.86.

Commodities

- Oil finished the week at $76 per barrel and is up 64.6% year-to-date in euro terms.
- Gold finished the week at $1,752 per troy ounce and is down -2.9% year-to-date in euro terms.
- Copper finished the week at $9,135 per tonne.

Figures are calculated using Total Returns Indices.

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