Markets mixed on shifting interest rate expectations

A number of significant news events last week led to choppy trading for equities, bonds, and currencies respectively. The US jobs report on Friday saw 467,000 jobs added, well in excess of the consensus forecasts of less than 200,000. The release also saw the past two months revised upwards by more than 700,000 which means that payrolls are less than 3 million (~2%) below pre-pandemic levels. The unemployment rate actually ticked upwards to 4% as a result of an increase in the participation rate to 62.2%, which may influence the Federal Reserve's opinion of how close the US economy is to full employment. The US ten year yield moved to 1.93% after the jobs release, its highest level since 2019.

Energy stocks led the way on a sectoral basis, as US oil prices pushed above $90 per barrel as the Ukraine situation remains unstable and oil producers committed to only modest production increases. There was no clear winner in the 'Value vs Growth' debate last week as markets digested the flurry of news items.

On Thursday, the Bank of England raised interest rates by 0.25% to 0.50%, the first time they have raised rates in back-to-back meetings since 2004. It was also noteworthy that a number of members of the Monetary Policy Committee voted to raise rate by 0.50%, which indicates a 'hawkish' tone remains. As mentioned above, whilst the ECB kept rates unchanged at -0.50% as expected, the subsequent comments appeared to leave the door open for a rate hike later in the year which represents a shift in market expectations. The key 10 year German Bund yield moved higher (yields move inversely to price) to finish the week at 0.23%, comfortably back in positive territory.

Our regular market information continues on the next page.

Snapshot

Up:

Copper

Down:

Corporate Bonds

Sovereign Bonds

World Equities

Gold

Oil

The week ahead

7th Feb	Chinese PMIs for February are published.
10th Feb	The latest US inflation reading goes to print.
11th Feb	The February US consumer confidence reading is released.

	1 Week Return 31.01.22 to 07.02.22		Year to Date Return 01.01.22 to 07.02.2022	
	Local Currency	Euro	Local Currency	Euro
World	0.1%	-1.9%	-5.2%	-5.8%
U.S.	-0.3%	-2.4%	-6.0%	-6.6%
Europe	-1.6%	-1.6%	-6.3%	-6.3%
Ireland	-2.5%	-2.5%	-8.1%	-8.1%
U.K.	0.8%	-0.4%	2.7%	1.9%
Japan	1.6%	-0.5%	-3.5%	-4.2%
Hong Kong	2.9%	0.9%	4.0%	3.4%
Corporate Bonds	-2.3%	-2.3%	-4.0%	-4.0%
Sovereign Bonds	-2.7%	-2.7%	-3.8%	-3.8%

Equities

- Global stocks were down last week by -1.9% in euro terms and 0.1% in local terms.
- Year-to-date global markets are down -5.8% in euro terms and -5.2% in local terms.
- The U.S market, the largest in the world, was down -2.4% in euro terms and up- 0.3% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.91% last week. The German equivalent finished at 0.23%. The Irish 10-year bond yield finished at 0.78% to remain in positive territory.
- The Euro/U.S. Dollar exchange rate finished at 1.14, whilst Euro/GBP finished at 0.85.

Commodities

- Oil finished the week at $91 per barrel and is up 20.3% year-to-date in euro terms.
- Gold finished the week at $1,811 per troy ounce and is up -1.5% year-to-date in euro terms.
- Copper finished the week at $9,870 per tonne.

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