Lower US Inflation Print Softens Policy Expectations

Last week saw choppy trading in the US as investor sentiment was uncertain over the economic outlook. On Wednesday the Bureau of Labor Statistics released their April inflation print which came in at a figure of 4.9%, below economists' expectations of a steady 5.0% rise. The market took this news positively, viewing the lower inflation print as evidence towards softer monetary policy and an end to interest rate rises from the Fed. Growth and tech stocks rallied as a result, with the tech-heavy Nasdaq closing at its highest level since June of 2022.

Unfortunately, optimism was short lived as regional banks again showed signs of strain. On Thursday, California-based lender PacWest saw shares dive by 23% after announcing that deposits had fallen by 9.5% the previous week. Trading in this area remains volatile and regulators are now struggling to put a lid on a potential 'doom-loop'.

Throughout the week, investors were also keen to see a resolution in the current debt ceiling impasse. US Treasury secretary Janet Yellen has urged lawmakers in Washington to come to an agreement sooner rather than later, warning that if the debt ceiling is not raised, the US government could begin to run out of cash as early as June. Former President Donald Trump also chimed in, in what is perhaps analogous of the situation, encouraging Republicans to allow the government to default unless Democrats agree to large spending cuts.

In Europe, poorer sentiment was felt, however some positive earnings for luxury goods manufacturers saw European equities rally on Friday. European investors in US securities saw a substantial benefit to a decrease in dollar strength against the euro, with US equities up 1.1% in euro terms despite losses for local investors. In Asia, weaker Chinese inflation data pointed to weaker demand in spite of expectations. The Chinese CPI figure for April came in at 0.1% versus expectations of a 0.4% increase. Chinese growth has been a strong driver of European markets in 2023 and it remains to be seen how robust its economic forecasts will be.

Our regular market information continues on the next page.

Snapshot

World Equities

Sovereign Bonds

Corporate Bonds

Oil

Gold

Copper

The week ahead

16 May	US Core Retail Sales report is issued.
17 May	Eurozone inflation print is released.
18 May	US Initial Jobless Claims report goes to print.

	1 Week Return 08.05.23 to 15.05.23		Year to Date Return 31.12.22 to 15.05.23	
	Local Currency	Euro	Local Currency	Euro
World	-0.6%	0.8%	8.7%	6.8%
U.S.	-0.3%	1.1%	7.9%	6.0%
Europe	-0.1%	-0.1%	12.8%	12.8%
Ireland	0.1%	0.1%	22.0%	22.0%
U.K.	-0.2%	-0.1%	5.6%	7.5%
Japan	1.4%	2.5%	12.2%	7.5%
Hong Kong	-3.6%	-2.2%	-5.1%	-7.2%
Corporate Bonds	-0.1%	-0.1%	1.3%	1.3%
Sovereign Bonds	0.2%	0.2%	2.7%	2.7%

Equities

- Global stocks were up last week by 0.8% in euro terms and down -0.6% In local terms.
- Year-to-date global markets are up 6.8% in euro terms and 8.7% in local terms.
- The U.S market, the largest in the world, finished at 1.1% in euro terms and -0.3% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 3.47% last week. The German equivalent finished at 2.29%. The Irish 10-year bond yield finished at 2.76%.
- The Euro/U.S. Dollar exchange rate finished at 1.08, whilst Euro/GBP finished at 0.87.

Commodities

- Oil finished the week at $70 per barrel and is down -12.6% year-to-date in euro terms.
- Gold finished the week at $2,019 per troy ounce and is up 9.0% year-to-date in euro terms.
- Copper finished the week at $8,223 per tonne.

Figures are calculated using Total Returns Indices.

Warning: Past performance is not a reliable guide to future performance.
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