Stocks finely poised as Fed continues balancing act

On Thursday, the Federal Reserve kept interest rates steady for the fourth consecutive meeting. Fed Chair Jerome Powell also dampened the chance of an anticipated rate cut in March as he cautioned: ‘Inflation is still too high and the path to bringing it down is not assured.’ Stocks fell following Powell’s statement, with the S&P 500 down 1.6%. On Friday, US nonfarm Payrolls rose by 353,000 in January. This surpassed the market expectation of 180,000. The report also revealed that the unemployment rate held steady at 3.7% and wage inflation increased to 4.5% yearly, coming in higher than the market expectation of 4.1%. Following this release, the US dollar gathered strength against its major currency peers.

Last week saw the busiest of earnings season, with 106 S&P 500 companies reporting. The S&P 500 rose 1.4% for the week, driven primarily by earnings and the Magnificent 7. The 1-year Treasury yield was fractionally lower at 4.0%, helped by the robust earnings growth from Meta, Microsoft, and Amazon. This was despite the poor performance of Apple and Alphabet last week. The coming week’s earnings season remains busy, with another 100+ S&P 500 companies scheduled to report.

Inflation continued to fall in the eurozone, although the drop was modest. CPI eased to 2.8% YoY in January, down from 2.9% in December and in line with market expectations. The monthly figure declined by 0.4% in January, after a 0.2% gain in December, also in line with market expectations. Food and energy prices decelerated in January and were drivers behind the modest dip in inflation. Core CPI, which excluded food and energy and is a better gauge of inflation, dropped from 3.4% to 3.3% YoY but remains above the medium term 2% target.

The Bank of England held rates steady and said it will wait for stronger signals that inflation is declining before it begins cutting. The BoE latest decision comes after inflation unexpectedly ticked up to 4.0% in December, from 2.9% in November. On Wednesday, Chinese data showed that the official manufacturing PMI was 49.2 in January, compared to 49.0 a month earlier.

Fact of the Week

First time that there has been a three-way split from BoE on whether rates should rise, fall, or remain the same since the 2008 financial crisis.

Our regular market information continues on the next page.

Snapshot

World Equities
Gold

Corporate Bonds
Sovereign Bonds
Oil
Copper

The week ahead

06 Feb	Euro Zone Retail Sales are published.
08 Feb	Chinese inflation figures go to print.
09 Feb	German CPI figures are released.

	1 Week Return 29.01.24 to 05.02.24		Year to Date Return 31.12.23 to 05.02.24	
	Local Currency	Euro	Local Currency	Euro
World	-0.1%	0.6%	2.1%	5.2%
U.S.	0.2%	0.9%	3.5%	6.6%
Europe	-0.1%	-0.1%	1.7%	1.7%
Ireland	-2.5%	-2.5%	4.0%	4.0%
U.K.	-0.1%	-0.6%	-1.3%	-0.2%
Japan	1.1%	0.9%	8.6%	5.9%
Hong Kong	-3.8%	-3.3%	-9.7%	-7.1%
Corporate Bonds	-1.0%	-1.0%	-2.4%	-2.4%
Sovereign Bonds	-0.5%	-0.5%	-1.1%	-1.1%

Equities

- Global stocks were up last week by 0.6% in euro terms and down -0.1% in local terms.
- Year-to-date global markets are up by 5.2% in euro terms and by 2.1% in local terms.
- The U.S market, the largest in the world, finished up 0.9 % in euro and 0.2% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 4.2% last week. The German equivalent finished at 2.3%. The Irish 10-year bond yield finished at 2.8%.
- The Euro/U.S. Dollar exchange rate finished at 1.07, whilst Euro/GBP finished at 0.85.

Commodities

- Oil finished the week at $73 per barrel and is up 4.4% year-to-date in euro terms.
- Gold finished the week at $2,025 per troy ounce and is down 0.9% year-to-date in euro terms.
- Copper finished the week at $8,247 per tonne.

Figures are calculated using Total Returns Indices.

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