What does political uncertainty in France mean for European Markets?

US equities rose at the end of the week, driven by lower-than-expected inflation indicators for May, as reflected in the Consumer Price Index (CPI) and Producer Price Index (PPI). The headline CPI inflation rate was 3.3% year-over-year, below both the forecast and the previous month's rate of 3.4%. Core inflation, which excludes food and energy, was 3.4%, also below forecasts of 3.5% and last month's 3.6%. Following several months of higher-than-expected inflation, the May CPI data indicated a positive shift, suggesting that inflation does not seem to be re-accelerating. The PPI saw its largest decline in seven months in May, dropping 0.2% against an expected 0.1% increase, reinforcing the Federal Reserve's confidence in controlling inflation. As anticipated, the Fed kept interest rates unchanged during their June meeting, but officials raised their median forecast for the federal funds rate at the end of 2024 from 4.6% to 5.1%, suggesting only one rate cut later in the year.

In Europe, equities experienced a challenging week due to political uncertainty, following a strong showing by right-wing parties in the European Parliament elections. Confidence was further undermined by French President Macron's call for snap legislative elections in June, which followed the EU election results favouring far-right parties. The yield on the 10-year French sovereign bond rose to its highest level this year early in the week before receding. German bond yields fell, likely due to a flight to safety in response to the political turmoil in France. Additionally, comments from ECB President Christine Lagarde suggested that restrictive monetary policy in Europe has not ended.

In China, equities declined as the Consumer Price Index (CPI) rose by only 0.3% in May, falling short of the expected 0.4% growth. The data indicates that deflationary pressures and a prolonged slump in the property sector continue to weigh on the economy.

Fact of the Week

French equity markets fell over 6% this week, causing Paris to lose its position as Europe's largest equity market.

Our regular market information continues on the next page.

Snapshot

World Equities
Corporate Bonds
Sovereign Bonds
Oil
Gold

Copper

The week ahead

18 June	Eurozone CPI figures go to print.
19 June	UK CPI and PPI data is released.
21 June	US Global PMI indices are published.

	1 Week Return 07.06.24 to 15.06.24		Year to Date Return 31.12.23 to 15.06.24	
	Local Currency	Euro	Local Currency	Euro
World	0.4%	1.6%	11.1%	14.8%
U.S.	1.6%	2.8%	13.9%	17.8%
Europe	-2.8%	-2.8%	8.6%	8.6%
Ireland	-4.8%	-4.8%	18.1%	18.1%
U.K.	-1.2%	-0.5%	7.4%	10.3%
Japan	-0.6%	0.2%	18.1%	9.4%
Hong Kong	-3.5%	-2.4%	-7.7%	-4.6%
Corporate Bonds	0.0%	0.0%	-1.5%	-1.5%
Sovereign Bonds	0.9%	0.9%	-1.9%	-1.9%

Equities

- Global stocks were up last week by 1.6% in euro terms and 1.4% in local terms.
- Year-to-date global markets are up by 14.8% in euro terms and by 11.1% in local terms.
- The U.S market, the largest in the world, finished at 2.8% in euro terms and 1.6% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 4.2% last week. The German equivalent finished at 2.4%. The Irish 10-year bond yield finished at 2.9%.
- The Euro/U.S. Dollar exchange rate finished at 1.07, whilst Euro/GBP finished at 0.84.

Commodities

- Oil finished the week at $79 per barrel and is up 12.9% year-to-date in euro terms.
- Gold finished the week at $2,333 per troy ounce and is up 16.6% year-to-date in euro terms.
- Copper finished the week at $9,616 per tonne.

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