Stocks close lower amidst recession concerns

The major US indices closed lower last week as investors navigated the busiest week of the quarterly earnings reporting season. Earnings reports this week indicated that the market's performance is increasingly broadening out from the so called Magnificent Seven and other major tech-oriented companies. Data released on Monday on the US services sector surprised economists with stronger-than expected growth in July, as the ISM service sector Purchasing Managers Index (PMI) rose to 51.4 from 48.8 the previous month. A reading above 50 signifies expansion in the services sector. An underwhelming US job market report on Friday sparked fears of a potential recession. The report revealed that the US economy added only 114,000 jobs last month, significantly down from June and well below expectations. The headline unemployment rate rose to 4.3%, its highest since October 2021, up from 4.1% the prior month. Although the Federal Reserve left short-term interest rates unchanged after its midweek policy meeting, expectations for rate cuts in September increased substantially.

Economic growth in the eurozone exceeded expectations in the second quarter of the year. On Tuesday GDP grew at an annualised rate of 0.3% in the second quarter, matching the growth rate of the first quarter. This surpassed the anticipated 0.2% growth, indicating a slightly faster than expected recovery. However, Germany, the eurozone's largest economy, unexpectedly contracted by 0.1%. Additionally, an initial estimate showed that annual inflation in the eurozone rose to 2.6% in July from 2.5% in June. Despite this rise, services inflation eased for the first time in three months.

Japanese equity markets experienced significant losses this week. At its July meeting the Bank of Japan (BoJ) raised its key short-term interest rate to around 0.25% from the previous range of 0% to 0.1%. This was the BoJ's second interest rate hike this year, following its exit from negative interest rate policy in March.

Fact of the Week

After a sell-off on Monday, Japan's Nikkei ended Tuesday up 10.2%, its largest daily gain since October 2008.

Our regular market information continues on the next page.

Snapshot

Corporate Bonds

Sovereign Bonds

Gold

World Equities

Oil

Copper

The week ahead

07 Aug	US June Consumer credit data is published.
08 Aug	Chinese CPI data goes to print.
09 Aug	German inflation data is released.

	1 Week Return 26.07.24 to 02.08.24		Year to Date Return 31.12.23 to 02.08.24	
	Local Currency	Euro	Local Currency	Euro
World	-2.1%	-2.7%	9.8%	11.1%
U.S.	-2.2%	-2.7%	12.2%	13.5%
Europe	-3.1%	-3.1%	5.0%	5.0%
Ireland	-2.6%	-2.6%	22.1%	22.1%
U.K.	-1.2%	-2.2%	8.2%	9.9%
Japan	-6.0%	-2.2%	8.9%	5.9%
Hong Kong	-0.7%	-1.3%	-11.5%	-10.5%
Corporate Bonds	0.4%	0.4%	0.2%	0.2%
Sovereign Bonds	1.8%	1.8%	0.5%	0.5%

Equities

- Global stocks were down last week by -2.7% in euro terms and -2.1% in local terms.
- Year-to-date global markets are up by 11.1% in euro terms and by 9.8% in local terms.
- The U.S market, the largest in the world, finished at -2.7% in euro terms and -2.2% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 3.8% last week. The German equivalent finished at 2.2%. The Irish 10-year bond yield finished at 2.6%.
- The Euro/U.S. Dollar exchange rate finished at 1.09, whilst Euro/GBP finished at 0.85.

Commodities

- Oil finished the week at $74 per barrel and is up 3.8% year-to-date in euro terms.
- Gold finished the week at $2,443 per troy ounce and is up 19.8% year-to-date in euro terms.
- Copper finished the week at $8,934 per tonne.

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