

# ECB cuts interest rates for the second time this year, what does this mean for markets?

In the US, major equity indexes finished the week higher, recovering much of the losses from the week before. On Wednesday, data showed core consumer inflation, which excludes volatile food and energy prices, rose by 0.3% in August, slightly higher than expected. However, headline inflation showed an annual increase of 2.5%, down from July’s reading of 2.9% and its lowest level since early 2021. This week the Federal reserve will meet for their September policy meeting where they are expected to initiate a rate cutting cycle. US government bond yields continued to decline last week amid expectation of an interest rate cut. The US 10-year Treasury yield fell to 3.66% on Friday, its lowest level since June 2023.

In Europe, major equity indices closed the week on a positive note, supported by an interest rate cut from the European Central Bank (ECB). The ECB reduced its deposit rate for the second time this year, cutting it by 0.25 basis points to 3.5%, as was expected. This decision was driven by signs of slowing economic growth and easing inflation in the eurozone. Inflation in the eurozone cooled to 2.2% in August hovering just above the 2% target level. In its accompanying statement, the ECB stressed its cautious approach and noted that it is not pre-committing to a specific rate path and further decisions will continue to be data driven.

Chinese stocks fell this week as weak inflation data raised concerns about a deflationary price-wage spiral impacting the economy. The consumer price index in China increased by 0.6% year over year in August, slightly up from July’s 0.5%, but below expectations. Core inflation, rose by 0.3%, down from July’s 0.4% and marking the lowest level in more than three years.

**Fact of the Week**

The S&P 500 rose 4% and the Nasdaq gained 5.9% this week, the best week in 2024 for both indexes.

Our regular market information continues on the next page.

## Snapshot



- World Equities
- Corporate Bonds
- Sovereign Bonds
- Gold
- Copper



Oil

## The week ahead

18 Sep	Federal Reserve interest rate decision.
19 Sep	Japanese CPI data goes to print.
20 Sep	UK Retail Sales data is released.



	1 Week Return 06.09.24 to 13.09.24		Year to Date Return 31.12.23 to 13.09.24	
	Local Currency	Euro	Local Currency	Euro
World	3.3%	3.6%	15.9%	15.5%
U.S.	4.1%	4.4%	18.4%	17.9%
Europe	2.1%	2.1%	9.2%	9.2%
Ireland	1.4%	1.4%	27.6%	27.6%
U.K.	1.0%	1.1%	10.1%	13.2%
Japan	-1.0%	0.5%	9.9%	9.7%
Hong Kong	-0.3%	0.0%	-6.8%	-7.0%
Corporate Bonds	0.5%	0.5%	0.9%	0.9%
Sovereign Bonds	0.3%	0.3%	1.6%	1.6%

#### Equities

- Global stocks were up last week finishing at 3.6% in euro terms and 3.3% local terms.
- Year-to-date global markets are up by 15.5% in euro terms and by 15.9% in local terms.
- The U.S market, the largest in the world, finished at 4.4% in euro terms and 4.1% local terms.

#### Fixed Income & FX

- The U.S. 10-year yield finished at 3.7% last week. The German equivalent finished at 2.1%. The Irish 10-year bond yield finished at 2.5%.
- The Euro/U.S. Dollar exchange rate finished at 1.11, whilst Euro/GBP finished at 0.84.

#### Commodities

- Oil finished the week at \$69 per barrel and is down -4.5% year-to-date in euro terms.
- Gold finished the week at \$2,578 per troy ounce and is up 24.5% year-to-date in euro terms.
- Copper finished the week at \$9,189 per tonne.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced, or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing, or creating any MSCI expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability, and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Source ICE Data Indices, LLC ("ICE DATA"), is used with permission. ICE DATA, ITS AFFILIATES AND THEIR RESPECTIVE THIRD-PARTY SUPPLIERS DISCLAIM ANY AND ALL WARRANTIES AND REPRESENTATIONS, EXPRESS AND/OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, INCLUDING THE INDICES, INDEX DATA AND ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM. NEITHER ICE DATA, ITS AFFILIATES NOR THEIR RESPECTIVE THIRD-PARTY PROVIDERS SHALL BE SUBJECT TO ANY DAMAGES OR LIABILITY WITH RESPECT TO THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE INDICES OR THE INDEX DATA OR ANY COMPONENT THEREOF, AND THE INDICES AND INDEX DATA AND ALL COMPONENTS THEREOF ARE PROVIDED ON AN "AS IS" BASIS AND YOUR USE IS AT YOUR OWN RISK. ICE DATA, ITS AFFILIATES AND THEIR RESPECTIVE THIRD-PARTY SUPPLIERS DO NOT SPONSOR, ENDORSE, OR RECOMMEND ZURICH LIFE ASSURANCE PLC, OR ANY OF ITS PRODUCTS OR SERVICES. Figures are calculated using Total Returns Indices.

Warning: Past performance is not a reliable guide to future performance.  
Warning: The value of your investment may go down as well as up.  
Warning: Benefits may be affected by changes in currency exchange rates.  
Warning: If you invest in this product you may lose some or all of the money you invest.

#### Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: [www.zurich.ie](http://www.zurich.ie)

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

Intended for distribution within the Republic of Ireland.

GR: 5685 Print Ref: ZL ISA 5685 0121

