Markets react to the Federal Reserve cutting interest rates by 50 basis-points

The highlight of the week was the Federal Reserve's rate announcement after its policy meeting concluded on Wednesday. The initial market reaction to the Fed's decision to reduce rates by 50 basis points was relatively muted, with the S&P 500 Index slightly declining by the end of the day. Historically, market declines have not been uncommon at the onset of a Fed rate-cutting cycle. However, investor enthusiasm emerged on Thursday morning, as major indexes reached record highs in a broad rally. The week's economic data was generally positive. Retail sales increased by 0.1% from July to August, surpassing expectations, following a revised 1.1% rise in July. Additional evidence of consumer strength appeared on Thursday with a surprising drop in weekly jobless claims.

In Europe, major equity indexes ended the week lower as the rally sparked by the US rate cut lost momentum, and investors grew cautious regarding future monetary policy. Recent comments from a hawkish European Central Bank (ECB) suggested that further easing should be gradual due to persistent underlying inflation pressures. In the eurozone, hourly wages and salaries grew at an annual rate of 4.5% over the three months ending in June, down from a revised 5.2% in the previous period.

The Bank of England (BoE) kept its key policy rate steady at 5.0%, as expected. UK headline inflation remained at an annual rate of 2.2% in August, unchanged from July. However, year-over-year price increases in services, closely monitored by the BoE due to the wage component, rose to 5.6% from 5.2%.

Japanese equities benefited this week as the yen weakened following the U.S. rate cut decision. On Friday, the Bank of Japan's (BoJ) decision to maintain rates put further pressure on the yen. Consequently, the Japanese currency depreciated to around JPY 143.8 against the U.S. dollar, down from approximately 140.8 at the end of the previous week.

Fact of the Week

Both the S&P 500, which is market cap weighted, and its equal-weighted equivalent hit record highs last week.

Our regular market information continues on the next page.

Snapshot

World Equities
Gold
Copper

Corporate Bonds
Sovereign Bonds
Oil

The week ahead

23 Sep	Eurozone PMI data goes to print.
26 Sep	US GDP data is released.
27 Sep	US PCE price index is published.

	1 Week Return 13.09.24 to 20.09.24		Year to Date Return 31.12.23 to 20.09.24	
	Local Currency	Euro	Local Currency	Euro
World	1.2%	0.7%	17.3%	16.3%
U.S.	1.4%	0.9%	20.1%	19.0%
Europe	-0.5%	-0.5%	8.7%	8.7%
Ireland	2.3%	2.3%	30.5%	30.5%
U.K.	-0.6%	-0.1%	9.5%	13.0%
Japan	2.9%	-0.3%	13.1%	9.4%
Hong Kong	5.7%	5.3%	-1.5%	-2.1%
Corporate Bonds	-0.1%	-0.1%	0.4%	0.4%
Sovereign Bonds	-0.8%	-0.8%	0.9%	0.9%

Equities

- Global stocks were up last week finishing at 0.7%% in euro terms and 1.2% local terms.
- Year-to-date global markets are up by 16.3% in euro terms and by 17.3% in local terms.
- The U.S market, the largest in the world, finished at 0.9% in euro terms and 1.4% local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 3.7% 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 1.12, whilst Euro/GBP finished at 0.84.

Commodities

- Oil finished the week at $72 per barrel and is down -0.7% year-to-date in euro terms.
- Gold finished the week at $2,622 per troy ounce and is up 25.7% year-to-date in euro terms.
- Copper finished the week at $9,347 per tonne.

Figures are calculated using Total Returns Indices.

Warning: Past performance is not a reliable guide to future performance.
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Warning: Benefits may be affected by changes in currency exchange rates.
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