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Conflicting signals, diverging reactions

Global markets spent much of last week navigating a challenging backdrop, with sentiment driven by developments in the Iran conflict, shifting Federal Reserve expectations, and ongoing volatility in Artificial Intelligence (AI)-related stocks. Early optimism following a temporary easing of tensions in the Middle East quickly faded as the four-day ceasefire collapsed, giving way to renewed hostilities. Whilst markets have become somewhat accustomed to the fluctuating prospects of a lasting peace agreement, the continued volatility in oil prices is adding further pressure to longer-term inflation expectations. Concerns surrounding the sustainability of AI investment levels remained in focus, but signs of improving commercialisation provided some reassurance, supporting a broad rebound in technology stocks, albeit within the context of a mixed earnings reaction towards some 'mega cap' names. Markets were initially buoyed by expectations that the Fed would leave policy rates unchanged, although sentiment weakened following comments from Chair of the US Federal Reserve, Kevin Warsh.

As expected, the Fed maintained its policy rate at 3.50% - 3.75% which has been in place since January, however the decision revealed growing unease within the committee, with three policymakers dissenting in favour of a rate hike. While the accompanying policy statement contained few meaningful changes, the lack of clarity provided by Warsh appeared to leave investors questioning the Fed's willingness to respond to inflation pressures. Treasury markets reflected these concerns, with the yield curve steepening as short-term yields declined and the 30-year yield rose above 5.2%, the highest level since 2007. The Fed was not the only major central bank to remain on hold this week. The Bank of England kept rates unchanged but cautioned that renewed tensions in the Middle East could add to energy price volatility, whilst the Bank of Japan maintained a hawkish tone, as inflation approaches its 2% target.

US economic growth, measured as GDP slowed to 1.5% in the second quarter. Despite falling from 2.1% last quarter, the decline was mostly due to imports related to AI investment, while household spending improved compared to last year. Eurozone GDP grew by 0.4%, above market expectations of 0.2%. Growth was supported by government spending and AI-related investment, proving resilient despite higher energy prices hitting this region the hardest.

Snapshot

Up:
- Corporate Bonds
- Sovereign Bonds
- World Equities

Down:
- Gold
- Copper
- Oil

The week ahead	
03 Aug	US manufacturing PMI.
06 Aug	Bank of England rate decision.
07 Aug	US non-farm payrolls released.

Fact of the week

Amazon delivered its largest single-day value increase in the company's history on Friday, jumping 15% and adding $350bn to its market capitalisation following a strong earnings report.

Our regular market information continues on the next page.

	1 Week Return 24.07.26 to 31.07.26		Year to Date Return 31.12.25 to 31.07.26	
	Local Currency	Euro	Local Currency	Euro
World	1.2%	0.1%	10.3%	12.5%
U.S.	1.0%	-0.1%	9.8%	12.1%
Europe	0.6%	0.6%	11.1%	11.1%
Ireland	-0.9%	-0.9%	4.0%	4.0%
U.K.	1.3%	1.1%	11.8%	14.2%
Japan	-0.3%	1.4%	18.8%	19.4%
Hong Kong	2.1%	1.0%	10.6%	12.1%
Corporate Bonds	0.0%	0.0%	-1.2%	-1.2%
Sovereign Bonds	0.0%	0.0%	-0.8%	-0.8%

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.

Equities

- Global stocks finished up by 0.1% in euro terms and up 1.2% in local terms last week.
- Year-to-date global markets are up by 12.5% in euro terms and up by 10.3% in local terms.
- The U.S. market, the largest in the world, finished down -0.1% in euro terms and up 1.0% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 4.7% last week. The German equivalent finished at 3.2%. The Irish 10-year bond yield finished at 3.4%.
- The Euro/U.S. Dollar exchange rate finished at 1.15, whilst Euro/GBP finished at 0.86.

Commodities

- Oil finished the week at $85 per barrel and is up 50.3% year-to-date in euro terms.
- Gold finished the week at $4,046 per troy ounce and down -4.5% year-to-date in euro terms.
- Copper finished the week at $13,836 per tonne and is up 13.2% year-to-date in euro terms.

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