Earnings trumps economic figures in positive week for stocks

Snapshot

World Equities

Sovereign Bonds

Oil

Gold

Copper

Corporate Bonds

The week ahead

5 Aug Eurozone retail sales and US PMI data is released

6 Aug The Bank of England meets for its latest interest rate decision

7 Aug U.S. non-farm payrolls for July go to print

Strong Tech results from Alphabet, Amazon, Apple, and Facebook helped lift markets towards the end of the week. So far for Q2 earnings, 84% of S&P 500 companies have beaten analysts' earnings estimates. This still leaves Q2 earnings more than a third below Q2 2019, but full-year estimates are rising again. Tech CEOs also survived a grilling from Congress, with the market taking a relatively positive stance on the outcome. On the other hand, earnings 'misses' in energy and materials were punished, with the sector dispersion we have seen in equity markets so far this year continuing throughout earnings season.

The growth in cases in the U.S. 'Sun Belt' appear to be levelling off, as weekly jobs claims and consumer confidence releases last week both showed evidence of the fragility of the recovery in the midst of a 'second wave'. Fed Chair Jerome Powell reiterated the dovish stance of the Federal Reserve and further committed to low interest rates for the foreseeable future. However, he also emphasised the role that fiscal policy can play in aiding the economic recovery. Negotiations on further stimulus continues between Democrats and Republicans in Congress.

There was a flurry of lagging economic data last week, with record falls in GDP on both sides of the Atlantic grabbing the headlines. U.S. economy contracted at an annualised rate of 32.9%, by far the largest on record. The sharp falls in GDP were expected and most business surveys now indicate that activity has rebounded sharply. However, there are risks, especially that of a large second wave of infections.

Our regular market information continues on the next page.

	1 Week Return 27.07.20 to 03.08.20		Year to Date Return 01.01.20 to 03.08.20	
	Local Currency	**Euro**	**Local Currency**	**Euro**
World	0.5%	0.9%	-1.5%	-5.8%
U.S.	1.8%	1.7%	3.3%	-1.5%
Europe	-1.1%	-1.1%	-9.4%	-9.4%
Ireland	1.2%	1.2%	-7.1%	-7.1%
U.K.	-1.2%	0.2%	-21.2%	-25.9%
Japan	-3.2%	-3.9%	-10.6%	-12.5%
Hong Kong	0.3%	0.2%	-13.2%	-16.8%
Corporate Bonds	-0.1%	-0.1%	0.5%	0.5%
Sovereign Bonds	0.5%	0.5%	4.6%	4.6%

Equities

- Global markets moved up last week, by 0.5% in local terms and 0.9% in euro terms.
- The influential U.S. market was up by 1.8% and 1.7% in local and euro terms respectively.

Fixed Income & FX

- The U.S. 10-year yield finished at 0.55% last week. The German equivalent finished at -0.52%. The Irish 10 year bond yield finished at -0.13%.
- The Euro/U.S. Dollar exchange rate finished at 1.18, whilst Euro/GBP finished at 0.90.

Commodities

- Oil finished the week at $41 per barrel.
- Gold finished the week at $1,976 per troy ounce up 30.3% year to date in local terms and 24.2% year to date in Euro terms.
- Copper finished the week at $6,495 per tonne.

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