Equities fall as stimulus package and vaccine rollout both falter

Equities fell the most in three months as the U.S. market posted its worst day since October last Wednesday. Whilst other matters grabbed the headlines the continued impasse in Washington regarding further stimulus, coupled with the lingering issues with vaccine rollouts, also dampened the mood for investors. Economic data was relatively light last week and came in largely as expected and suggested a continued (albeit slowing) post-COVID recovery. Real GDP growth in the U.S. came in at an annualised rate of 4% in Q4 and there is a growing realisation that the labour market is unlikely to recover until vaccines are rolled out and lockdown restrictions are eased.

After three weeks of earnings, earnings-per-share is coming in at over 10% ahead of analysts' expectations led by financials, tech and materials. Earnings and sales are essentially back to where they were a year ago as the proportion of companies exceeding expectations remains strong.

The Federal Reserve followed the ECB last week by reiterating its deliberate, dovish stance. The Fed left policy unchanged and will continue with its asset purchase programmes, with Fed Chair Powell reinforcing the uncertain outlook and emphasising a dovish approach in his post meeting comments.

Interestingly, South Korea saw its full 2020 calendar year growth come in at -1.4%, better than expectations from one of the first countries to be hit hard by the pandemic, and subsequently come out the other side. There is a slew of economic data and earnings to come this week which should help focus the minds of investors. Eurozone GDP is likely to come in lower than the above as the economic fortunes of the single currency bloc become increasingly tied with the efficacy of its vaccine rollouts

Our regular market information continues on the next page.

Snapshot

Sovereign Bonds

Oil

World Equities

Corporate Bonds

Gold

Copper

The week ahead

2 Feb	The 1st reading of eurozone GDP for Q4 2020 is released.
3 Feb	U.S. services PMI and eurozone inflation figures are published.
5 Feb	U.S. non-farm payrolls for January go to print.

	1 Week Return 25.01.21 to 01.02.21		Year to Date Return 01.01.21 to 01.02.21	
	Local Currency	Euro	Local Currency	Euro
World	-3.4%	-3.6%	-1.0%	-0.3%
U.S.	-3.7%	-3.8%	-1.0%	-0.3%
Europe	-2.2%	-2.2%	-1.1%	-1.1%
Ireland	-2.9%	-2.9%	-3.0%	-3.0%
U.K.	-3.5%	-3.2%	-0.7%	0.5%
Japan	-3.0%	-4.0%	0.4%	-0.3%
Hong Kong	-4.7%	-4.9%	2.0%	2.7%
Corporate Bonds	-0.2%	-0.2%	-0.2%	-0.2%
Sovereign Bonds	0.1%	0.1%	-0.8%	-0.8%

Equities

- All major global markets were down last week by -3.6% in euro terms and -3.4% in local terms.
- The influential U.S. market was down by -3.8% in euro terms and -3.7% in local terms.
- Closer to home, Ireland finished down -2.9%.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.08% last week. The German equivalent finished at -0.52%. The Irish 10-year bond yield finished at -0.20%.
- The Euro/U.S. Dollar exchange rate finished at 1.21, whilst Euro/GBP finished at 0.88.

Commodities

- Oil finished the week at $53 per barrel.
- Gold finished the week at $1,863 per troy ounce.
- Copper finished the week at $7,862 per tonne.

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