

Markets fall as inflation expectations rise

Stocks and bonds both fell last week as a slew of positive economic releases manifested into fears about higher inflation and interest rates. Consumer discretionary stocks were weak as they were led lower by Tesla, whilst Apple weighed on the technology sector. A number of factors contributed to the U.S. 10 year treasury yield peaking above 1.6% on Thursday evening.

In terms of positive U.S. data, personal spending was 2.4% higher in January whilst personal income increased by 10%. Personal consumption also rose and durable goods orders jumped 3.4% in January. Fed Chair Powell testified in front of Congress last week and reiterated the Fed's commitment to keeping monetary policy relative loose and pointed towards the continuing fragility in the recovery.

Inflation is already evident in pockets of the economy, with U.S. house prices up over 10% in 2020 as lower mortgage costs fuelled demand. However, pending home sales did fall in January, suggesting some temperance creeping into the market. Lumber prices, which are related to house building, are at a record high and copper prices are at their highest levels in decades in what is a clear signal of returning economic growth. Democrat plans for a new stimulus package continue. Some current benefits expire in two weeks which creates a partial deadline for Congress. However, President Biden stated last week that he is open to suggestions to 'make the package better and cheaper' which may signal another round of negotiations.

Finally, eurozone markets followed a similar theme of stronger-than-expected economic data leading to higher bond yields and lower equity prices. Vaccine rollouts continue across the continent and plans for emerging from the latest lockdown are being formulated across the single currency bloc.

Our regular market information continues on the next page.

Snapshot



Copper
Oil



World Equities
Sovereign Bonds
Corporate Bonds
Gold

The week ahead

1 Mar

German inflation and U.S. manufacturing PMI data are both published.

3 Mar

Chinese and U.S. non-manufacturing PMI are released.

5 Mar

The monthly U.S. Non-Farm Payrolls report goes to print.



	1 Week Return 22.02.21 to 01.03.21		Year to Date Return 01.01.21 to 01.03.21	
	Local Currency	Euro	Local Currency	Euro
World	-2.2%	-2.2%	1.5%	2.4%
U.S.	-1.8%	-1.8%	1.6%	2.4%
Europe	-1.8%	-1.8%	1.1%	1.1%
Ireland	-2.5%	-2.5%	-2.3%	-2.3%
U.K.	-1.6%	-2.1%	1.0%	4.2%
Japan	-3.9%	-5.3%	3.7%	1.3%
Hong Kong	-2.5%	-2.6%	6.8%	7.6%
Corporate Bonds	-0.1%	-0.1%	-1.0%	-1.0%
Sovereign Bonds	-0.6%	-0.6%	-3.5%	-3.5%

Equities

- Global markets were down last week by -2.2% in euro terms and in local terms.
- Year to date global markets are up 2.4% in euro terms and 1.5% in local terms.
- The influential U.S. market was down by -1.7% in euro terms and in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 1.44% last week. The German equivalent finished at -0.30%. The Irish 10-year bond yield finished at 0.05%.
- The Euro/U.S. Dollar exchange rate finished at 1.20, whilst Euro/GBP finished at 0.86.

Commodities

- Oil finished the week at \$62 per barrel.
- Gold finished the week at \$1,747 per troy ounce.
- Copper finished the week at \$9,139 per tonne.

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Intended for distribution within the Republic of Ireland.

GR: 5685 Print Ref: ZL ISA 5685 0121

