

Weekly market review

22nd July 2024.

A look back at the previous week's markets.

By Anthony Walters
Head of ESG - Clever



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A look back at the markets...

- **Nasdaq 100 Nosedives as Tech Tensions Rise**
- **UK Inflation Stays at 2.00% - Fashion Sales Save the Day!**
- **China Cuts Rates - The Economic Lifeboat is Out**
- **Masdar's \$1 Billion Green Bonds**

Market Recap.

The focal point for the week was the Nasdaq 100 ETF (-4.09%), which sharply sold-off as US President Biden told allies that the US may curb microchip exports to China to avoid over-sharing advanced technology with the nation.

Despite performance in technology, the broader US indices fared better with the S&P 500 ETF (+1.94%) and Dow Jones ETF (+0.47%) both making gains whilst the FTSE 100 ETF (-0.33%) declined.

News.

Rapid interest-rate action from the European Central Bank isn't required, according to Governing Council member Gabriel Makhlof. "There's no need to actually rush to make decisions," he told the Irish Examiner in an interview published on Sunday. The process of bringing inflation back to the ECB's 2% target is working although the "road has been bumpy," he was cited as saying by the newspaper.

The Irish central bank chief spoke after policymakers decided to keep borrowing costs on hold last week, with President Christine Lagarde saying the next policy gathering — on Sept. 11-12 — is "wide open."

Geopolitics.

Taiwan must rely on itself for defence and is likely to keep increasing spending and modernising its military given the threat it faces from China, Foreign Minister Lin Chia-lung said on Friday. U.S. former President Trump, said in an interview published last week that "Taiwan should pay us for defence", adding that the island had taken American semiconductor business.

The United States is the most important international backer and arms supplier of Taiwan, which China claims as its own. Despite the lack of formal diplomatic ties, Washington is bound by law to provide the means for the island's defence.

Inflation.

UK inflation held steady in June, remaining at the Bank of England's target rate of 2.00%, according to the latest official figures.

Discounts on clothes in summer sales helped offset the soaring cost of hotel stays. Overall, inflation rose at 2.00% in the year to June, unchanged from May. It means that the cost of living is still rising but at a rate that the central bank is comfortable with, after nearly three years of above-target inflation which has squeezed household finances.

Commodities.

Wheat gained 2.30% in a sign of mean-reversion, whilst most commodities fell for the week. In particular, Copper fell by 6.79% amid weak industrial demand and a lack of new stimulus measures in top consumer China.

Central Banks.

China surprised markets by cutting major short and long-term interest rates on Monday, its first such broad move since August 2023, signalling intent to boost growth in the world's second-largest economy.

The cuts came after China reported weaker-than-expected second-quarter economic data last week and its top leaders met for a plenum that occurs roughly every five years. The People's Bank of China (PBOC) said it would cut the seven-day reverse repo rate to 1.70% from 1.80%, and would also improve the mechanism of open market operations. The one-year loan prime rate (LPR) was lowered to 3.35% from 3.45% prior, while the five-year LPR was reduced to 3.85% from 3.95%.

ESG.

UAE-based clean energy-focused developer Masdar has raised \$1 billion through the issuance of green bonds, with proceeds aimed at investing in new renewable energy projects.

According to Masdar, demand for the bonds was strong, with the offering 4.6x oversubscribed. The offering consisted of \$500 million each of 5- and 10-year bonds, and final allocations consisted of 70% international investors, and 30% MENA-based investors. Green bond proceeds will be used for projects including solar power, wind power, electricity transmission and distribution, and energy storage.

Week Ahead.

Key economic releases begin from this week, when the EU publishes its final manufacturing and Services PMI figures, with Services expecting solid growth whilst manufacturing is still in contraction.

On Thursday, the major talking point will be the release of the US GDP figures, with growth of 1.90% expected, against 1.40% growth for the prior quarter. And on Friday, the US releases its latest PCE (Personal Consumption Expenditure) price index data, with markets hoping for a figure lower than 2.60% (prior reading) to guide inflation towards the 2.00% target.

Sources:

Anthony Walters - Head of ESG at Clever Adviser Technology Ltd (Clever)

Market recap Data sourced from FE FundInfo & Koyfin. ETFs quoted: iShares Core FTSE 100 UCITS ETF, iShares Core S&P 500 UCITS ETF, iShares Nasdaq 100 UCITS ETF (quoted in Pounds Sterling).

News ECB in No Rush to Decide on Rate Cuts, Makhlouf Tells Examiner, By Zoe Schneeweiss, Yahoo Finance/Bloomberg, 21/07/24

Inflation Falling clothes prices help keep inflation rate steady, By Faisal Islam and Lora Jones, BBC, 17/07/24

Central Banks China cuts several major interest rates to support fragile economy, By Reuters, 22/07/2024

ESG Masdar Issues \$1 Billion Green Bond to Invest in Greenfield Renewable Energy Projects, by Mark Segal, ESG Today, 22/07/24

Geopolitics Taiwan must rely on itself for defence, foreign minister responds to Trump, By Ben Blanchard, 19/07/24

Commodities Data sourced from Koyfin and Investing.com

Week ahead Data sourced from Investing.com

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