

Weekly market review

25th March 2024.

A look back at the previous week's markets.

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A look back at the markets...

- **Fed Keeps Interest Rates Steady, Awaits Further Inflation Data**
- **UK Inflation Slows, Setting Stage for Potential Interest Rate Cuts**
- **BoE Signals Potential Interest Rate Cuts Amid Easing Inflation**
- **Iberdrola Unveils €41B Investment Plan for Electrification**

Market Recap.

It was the turn of the Dow Jones Industrial Average ETF to lead for the week, adding 2.81% as Oil traded at its highest level of 2024 at over \$82 per barrel.

The FTSE 100 ETF (+2.77%) was close second followed by the Nasdaq 100 ETF, which gained 2.63%. The S&P 500 also gained 2.41% for the week.

At sector level, Communications (a strand of tech) added 3.47% whilst Industrials (+2.91%) were close behind. Only Real Estate (-0.40%) failed to make gains for the week as the sector continues to face the dual headwind of higher interest rates and the decline in office-space utilisation.

News.

The US central bank has left its key interest rate unchanged, while it looks for more evidence that inflation is coming under control. The decision kept the target range for the Federal Reserve's influential rate in the range of 5.25%-5.5%, the highest in more than two decades. The Fed is debating whether higher borrowing costs have done enough to ease the pressures pushing up prices. *"We want to be careful and fortunately with the economy growing, the labour market strong and inflation coming down, we can"* be, Fed chairman Jerome Powell said at a press conference after the Fed's meeting.

Geopolitics.

China warned the Philippines on Monday to behave cautiously and seek dialogue, saying their relations were at a *"crossroads"* as new confrontations between their coastguards over maritime claims deepened tensions. The Philippines accused China's coastguard of using water cannon against a civilian boat supplying troops on Saturday at the Second Thomas Shoal, which it said had damaged the boat and injured some crew. It was the latest in a series of flare-ups in the past year. The Philippines foreign ministry summoned China's charge d'affaires in Manila on Monday to protest at *"aggressive actions"* in the wake of the incident.

Inflation.

British inflation slowed in February, keeping the Bank of England on track to start cutting interest rates in the months ahead. Consumer prices rose by 3.4% in annual terms after a 4.0% increase in January, the weakest rate of inflation since September 2021, official data showed. Food and prices at eateries were the biggest downward drags, offset by motor fuels, the Office for National Statistics said. Core inflation, which excludes energy, food and tobacco prices, also slowed, dropping to 4.5% from 5.1% in January.

Central Banks.

Britain's economy is moving towards the point where the Bank of England can start cutting interest rates, Governor Andrew Bailey said on Thursday as two of his colleagues dropped their calls for a rate hike in the face of easing inflation. Sterling fell, shares jumped, and government bond prices rose after two policymakers, who previously voted for higher rates, changed position and joined in an 8-1 decision by rate-setters to keep borrowing costs at their 16-year high of 5.25%. *"We're not yet at the point where we can cut interest rates, but things are moving in the right direction,"* said Bailey.

ESG.

Global energy and electricity provider Iberdrola announced plans for a major electrification-focused investment program, pledging to allocate €41 billion in its network and renewable energy from 2024 through 2026, and to hire 10,000 people.

The investment plans were announced as part of a strategic update by Iberdrola Executive Chairman Ignacio Galán at the company's Capital Markets Day on Thursday, noting that the *"electrification of energy is unstoppable and will expand exponentially in the years ahead, supporting decarbonisation, boosting energy security, and reducing the volatility caused by fossil fuels"*.

Commodities.

Steel (3.57%) gained ground as China reported that its industrial output had climbed by 7.00% in the first two months of 2024, beating market expectations. Heating Oil fell by 4.24% as data showed that distillate stockpiles rose by 624 thousand barrels, surprising markets that expected only 87 thousand barrels in reserve.

Week Ahead.

The US reports new home sales on Monday with 675,000 expected against 661,000 prior as the new home market continues to mature in the face of higher interest rates. On Wednesday the US reports its Crude Oil inventories, with the market expecting a further reduction in the level of oil in storage as demand increases amid broader economic growth. In what is likely to be the most important announcements of the week, both the US and UK report their GDP growth numbers, with the UK expecting -0.20% growth (Year on Year) whilst the US is forecast to see 3.20% Quarter on Quarter growth. And both the US and UK markets close a day early for 'Good Friday'.

Sources:

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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).

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Inflation - Easing UK inflation keeps BoE on track for rate cuts later in 2024, By Andy Bruce and Suban Abdulla, Reuters, 20/03/24

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Geopolitics - China says relations with Philippines at 'crossroads' amid maritime incidents By Neil Jerome Morales, Karen Lema and Liz Lee, Reuters, 25/03/24

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