

Weekly market review

29th July 2024.

A look back at the previous week's markets.

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A look back at the markets...

- **Tech Tumbles, Industrials Thrive Amid Market Shift**
- **Maduro and Gonzalez Both Claim Victory as US Questions Venezuela Election**
- **Inflation Eases, But Fed Rate Cut Still Expected**
- **Russia-China Bomber Patrol Near Alaska Sparks NORAD Response**

Market Recap.

In a week where Tech fell, only the industrials thrived. The FTSE 100 ETF (+1.14%) led for the week, alongside the Dow Jones ETF (+1.08%) as Value and small cap rallied thanks to a rotation away from Large Cap Growth stocks amid continued concern of trade restrictions for microchip makers. To that end, the Nasdaq 100 ETF (-3.00%) and S&P 500 ETF (-1.06%) both continued their correction.

News.

President Nicolas Maduro and opposition rival Edmundo Gonzalez on Monday both claimed victory in Venezuela's presidential election as Washington and other foreign governments cast doubt on official results that kept the incumbent in power.

U.S. Secretary of State Antony Blinken said Washington had serious concerns that the results announced by the electoral authority did not reflect the votes of the people. The authority is meant to be an independent body, but the opposition says it acts as an arm of Maduro's government.

Inflation.

The U.S. economy grew faster than expected in the second quarter amid solid gains in consumer spending and business investment, but inflation pressures subsided, leaving intact expectations of a September interest rate cut from the Federal Reserve.

Growth last quarter also received a boost from inventory building as well as increased government spending, the Commerce Department's advance report on second-quarter gross domestic product on Thursday showed. The housing market recovery, however, regressed and was a small drag on the economy. The trade deficit widened further, subtracting from GDP growth.

The personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, increased at a 2.9% rate after surging at a 3.7% pace in the first quarter.

While the rise in the so-called core PCE price index was slightly above economists' expectations for a 2.7% rate of increase, the trend is slowing.

Commodities.

Sugar (+3.72%) made sweet gains for the week as a report from Unica in Brazil revealed a 9.7% year-over-year drop in sugar output in the Centre-South region for the first half of July. Aside from Coal (+3.15%) and Cattle (+2.40%), everything else fell into the red, with the ever-volatile Natural Gas (-10.48%) down by double-digits.

Geopolitics.

Bomber jets from Russia and China flew over the far east of Russia and the Bering Sea near Alaska on Thursday during a joint aerial patrol. Although not seen as a threat by the North American Aerospace (NORAD), US and Canadian warplanes intercepted two of the bombers.

Russian and Chinese bomber jets conducted a joint patrol over far eastern Russia and the Bering Sea near Alaska, Russia's defence ministry said Thursday. Moscow also said the patrol observed international law and did not breach foreign airspace, adding that "at certain stages of the route, the aviation group was accompanied by fighter jets of foreign countries".

Central Banks.

The Bank of England will trim Bank Rate to 5% next week, a majority of economists said in a Reuters poll. According to economists, with inflation expected to hover around target, the Bank of England will embark on a slow and steady reduction path with one more cut this year.

However, markets are only pricing in around a 45% chance of a cut and several economists declined to say whether the first cut would come in August or September.

ESG.

KLM and electric aviation solutions startup ZeroAvia have announced plans for a zero-emissions demonstration flight using hydrogen-electric engines powered by liquid hydrogen.

The test flight plans come as a series of initiatives are underway to target rapid aviation sector decarbonisation, such as electrified propulsion or sustainable aviation fuel (SAF). KLM parent company Air France KLM Group unveiled a CO2 emissions reduction strategy in 2022, with goals to achieve 30% less CO2 emissions per passenger/km by 2030, and an ambition to reach net zero emissions by 2050.

Week Ahead.

This week is one of the busiest for macroeconomic releases, with several being announced.

On Tuesday, the EU releases its GDP figures with growth expected to be 0.60% year-on-year, against 0.40% prior. EU CPI (inflation) figures are published on Wednesday, with the market expected 2.40% year-on-year inflation, against 2.50% prior.

On the same day, the US federal reserve announces its interest rate decision, with markets expecting no change to the 5.50% interest rate.

Thursday sees the Bank of England announce its latest interest rate decision, with the market now expecting rates to be cut to 5.00% from 5.25%. Finally, the EU, UK and US report their PMIs for services and manufacturing.

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).

News Government, opposition both claim Venezuela election win, official results questioned, By Julia Symmes Cobb, Reuters, 29/07/24

Inflation US economy regains speed in second quarter; price pressures easing, By Lucia Mutikani, Reuters, 25/07/24

Central Banks Bank of England to trim Bank Rate on Aug 1 and once more this year, economists say: Reuters poll, Reporting by Jonathan Cable; additional reporting by Hari Kishan; polling by Sarupya Ganguly; Editing by Bernadette Baum, Reuters, 24/07/2024

ESG KLM, ZeroAvia Plan Hydrogen-Powered Test Flight, by Mark Segal, ESG Today, 26/07/24

Geopolitics US and Canada intercept Russian and Chinese bomber jets near Alaska, By France 24 & Yahoo News 25/07/24

Commodities Data sourced from Koyfin and Investing.com

Week ahead Data sourced from Investing.com

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