

Weekly market review

5th February 2024.

A look back at the previous week's markets.

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A look back at the markets...

- **France and Italy Expand, Germany Contracts**
- **Kremlin Warns West**
- **Euro Zone Inflation Eases as Expected**
- **Pandora Goes Green: Sources Only Recycled Gold and Silver**

Market Recap.

It was the turn of the S&P 500 ETF to lead the week, returning 1.26%, pushing to another All Time High. Surprisingly, the Dow Jones ETF was in second place, gaining 1.25% as its second largest holding (Microsoft) also made a new All Time High.

The Nasdaq 100 ETF gained 1.00% whilst the FTSE 100 ETF fell by 0.32%.

News.

The Euro Area economy expanded 0.10% year-on-year in the last three months of 2023, following a flat reading in the previous period and beating forecasts of no growth, preliminary estimates showed. France (0.70%) and Italy (0.50%) expanded and Spain (2.00%) and Portugal (2.20%) recorded the biggest growth rates. In contrast, the German economy shrank 0.20% and Ireland (-4.80%) recorded the strongest decline.

Geopolitics.

The Kremlin warned the West that any attempt to use frozen Russian assets as collateral to raise funds for Ukraine would be illegal and lead to years of litigation because Moscow would challenge any such action. The Financial Times, reported on Saturday that the G7 had drawn up plans to use frozen Russian assets as collateral for debt sold to help Ukraine. Bloomberg, opens new tab also reported on the plan.

Inflation.

Euro zone inflation eased as expected last month but underlying price pressures fell less than forecast, likely boosting the European Central Bank's argument that rate cuts should not be rushed. Although the ECB was adamant last week that a rate cut is not even being discussed, policymakers are sounding increasingly confident that inflation is coming under control, suggesting that the bank was nearing an easing cycle.

Central Banks.

The U.S. Federal Reserve can be "prudent" in deciding when to cut its benchmark interest rate, with a strong economy allowing central bankers time to build confidence inflation will continue falling, Fed chair Jerome Powell. "The prudent thing to do is...to just give it some time and see that the data confirm that inflation is moving down to 2% in a sustainable way," Powell said. The Fed held its benchmark interest rate steady last week, in the current range of between 5.25% and 5.50%.

Commodities.

The biggest gains came from the Agricultural Softs as Cotton added 3.25%, whilst Feeder Cattle gained 2.65%. Oil ended the week down by 6% as progress in ceasefire negotiations between Israel and Hamas eased concerns about supply disruptions from the region.

ESG.

Jewellery designer Pandora announced that it's now sourcing only recycled silver and gold for all its jewellery, in a move said to avoid 58,000 tons of CO2 emissions annually. The announcement marks the early achievement of Pandora's goal, set in 2020, to adjust its supply chain to source 100% recycled gold and silver by 2025. Pandora's value chain makes up more than 80% of the company's GHG footprint, and the company has set a target to reduce its Scope 3 emissions, emanating from areas including raw materials, packaging, transportation, franchise stores, by 42% by 2030.

Week Ahead.

In a relatively quiet week for significant macro releases, the UK and US reports the health of the Services sector on Monday, with growth forecast to continue for both. No less than five members of the US Federal Open Market Committee speak this week, though none will impact markets more than chair Powell and his speech on Sunday which cautioned markets against quick rate cuts.

And on Thursday, the US releases its Initial Jobless Claims figures with 219,000 claims expected against 224,000 for the prior week.

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 - Eurostat and Trading economics, Reuters, 25/01/24

Inflation - Euro zone inflation dips but core figures may disappoint, by Balazs Koranyi, Reuters, 01/02/24

Central Banks - Powell says Fed can be 'prudent' in weighing rate cuts -- CBS '60 Minutes', By Howard Schneider, Reuters, 05/02/2024

ESG - Pandora Shifts to 100% Recycled Gold and Silver for its Jewellery, by Susan Lahey, ESG Today, 31/01/24

Geopolitics - Kremlin warns West against using frozen Russian assets as collateral for Ukraine By Guy Faulconbridge, Reuters 05/02/24

Commodities - Data sourced from Koyfin and Investing.com

Week ahead - Data sourced from Investing.com

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