

Weekly market review

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A look back at the previous week's markets.

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A look back at the markets...

- **US Economic Growth: Resilient Trends Despite Winter Chill**
- **Fed's Waller: Balance Sheet Plans Unrelated to Interest Rates or Inflation Fight**
- **Gasoline Jumps 10% on OPEC+ Cuts; Coal Rises on Demand**
- **EU Parliament Tightens Environmental Crime Rules**

Market Recap.

The Nasdaq 100 ETF made strong gains, adding 1.41%, whilst the S&P 500 EFT also gained 0.87%. The FTSE 100 ETF (0.05%) and Dow Jones Industrial Average ETF (0.01%) were largely flat for the week.

At sector level, Real Estate led the way returning over 4% whilst Healthcare (-0.67%) and Energy (-0.06%) were the only two sectors to produce a negative return.

News.

U.S. economic growth in the fourth quarter was lowered slightly, but its composition was much stronger than initially thought, which bodes well for the near-term outlook even as activity got off to a weak start because of freezing temperatures. GDP increased at a 3.2% annualised rate last quarter, revised slightly down from the previously reported 3.3% pace, the Commerce Department's Bureau of Economic Analysis said in its second estimate of fourth-quarter GDP growth.

Geopolitics.

Swedish armed forces joined NATO for exercises on Monday, contributing troops, helicopters and fighter jets as the alliance carries out its largest set of military drills since the end of the Cold War.

Sweden is poised to join NATO, possibly within days, after gaining the final outstanding ratification last week. *"The new concept now is that we try to integrate even further and that is possible because of the new NATO membership of Finland and the Swedish NATO membership shortly to come,"* said Major General Rolf Folland, Norwegian Air Force Chief and head of the new centre.

Inflation.

Euro area annual inflation is expected to be 2.6% in February 2024, down from 2.8% in January according to a flash estimate from Eurostat, the statistical office of the European Union.

The main components of euro area inflation, food, alcohol & tobacco are expected to have the highest annual rate in February (4.0%, compared with 5.6% in January), followed by services (3.9%, compared with 4.0% in January), non-energy industrial goods (1.6%, compared with 2.0% in January) and energy (-3.7%, compared with -6.1% in January).

Central Banks.

The Federal Reserve's upcoming decisions about the ultimate size of its balance sheet has no bearing on the central bank's inflation fight or changes to its policy interest rate, Fed Governor Chris Waller said. *"Balance sheet plans are about getting liquidity levels right,"* Waller said in comments at a monetary policy conference held at the University of Chicago's Booth School of Business. *"They do not imply anything about the stance of interest rate policy, which is focused on influencing the macroeconomy and achieving our dual mandate."*

Commodities.

Gasoline charged ahead, returning over 10% for the week as after OPEC+ and its allies extended voluntary production cuts until the end of June. In addition, US gasoline inventories are expected to have decreased by 1.6 million barrels last week, marking the fifth straight period of decline after a 2.832 million barrel drop in the previous period. Elsewhere, Coal (6.11%) moved higher, fuelled by increased demand for thermal generation due to lower hydropower output and the cost advantage over domestic coal.

ESG.

The European Parliament has announced that it has adopted new rules on environmental crimes and related sanctions aimed at strengthening ecosystem protection, including expanding the list of criminal environmental offences, and harmonised sanctions including fines and imprisonment. New acts that are considered criminal offences under the new directive include illegal timber trade, depletion of water resources, import and use of mercury and fluorinated greenhouse gases, the import of invasive species, and pollution caused by ships.

Week Ahead.

The UK, EU and US publish their Services PMI results on Tuesday, with the market expecting slight growth in the EU (50.2) and US (51.3) with greater growth in the UK (53.3).

On Wednesday the Chancellor of the Exchequer announces his spring statement (known as the "mini budget") with British markets poised ready to react to any positive economic announcements. We also hear from US Federal Reserve Jay Powell as he testifies before congress to guide markets.

The EU announces its interest rate decision on Thursday with the market expecting rates to stay unchanged at 4.50% although some commentators posit that the EU will be the first to cut rates among the major nations. The EU will also announce its GDP growth on Friday with growth expected to be 0.10% (year on year).

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 - US economy on firmer footing heading into first quarter, By Lucia Mutikani, Reuters, 28/02/24

Inflation - Euro area annual inflation down to 2.6%, Eurostat, 01/03/24

Central Banks - Fed's Waller: Upcoming balance sheet decisions have no bearing on monetary policy, By Howard Schneider, Reuters, 01/03/2024

ESG - EU Lawmakers Approve Penalties Including Imprisonment, Fines for Environmental Crimes, by Mark Segal, ESG Today, 29/02/24

Geopolitics - Poised for accession, Sweden joins NATO drills in reshaped north, By Reuters, 04/03/24

Commodities - Data sourced from Koyfin and Investing.com

Week ahead - Data sourced from Investing.com

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