

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...

- **UK Economy Sees Strongest Growth Since 2021**
- **Blinken Promises More U.S. Aid to Ukraine**
- **Microsoft Signs Major Carbon Removal Deal**
- **Major Economic Releases This Week**

Market Recap.

Markets produced strong performance last week, with the FTSE 100 ETF gaining 2.75% on a more dovish Bank of England outlook, with the central bank suggesting that rate cuts are imminent.

Despite caution around the timing of rate cuts elsewhere, markets cheered the news with Dow Jones ETF (+2.59%) S&P 500 ETF (+2.29%) Nasdaq 100 ETF (+1.85%) all making strong gains, reminding investors of the importance of time in the market.

News.

Britain's economy grew by the most in nearly three years in the first quarter of 2024, ending the shallow recession it entered in the second half of last year.

Gross domestic product expanded by 0.60% in the three months to March, the Office for National Statistics said, the strongest growth since the fourth quarter of 2021 when it rose by 1.50%.

Geopolitics.

U.S. Secretary of State Antony Blinken told President Volodymyr Zelenskyy during a trip to Kyiv on Tuesday that part of a major U.S. aid package had arrived in Ukraine and that more was on its way that was going to *"make a real difference"*.

Blinken's trip is the first by a senior U.S. official since Congress passed a long-delayed \$61 billion aid package last month. Kyiv's outmanned troops are battling a new Russian offensive in the northeast as well as assaults in the east.

Inflation.

The US releases its hotly anticipated inflation data on Wednesday with Core CPI expected to fall to 3.60% from 3.80% prior as the market looks for further guidance on the timing of interest rate cuts. A lower figure will signal the increased possibility of interest rate cuts later this year.

ESG.

Microsoft and climate solutions startup *re.green* announced one of the largest-ever carbon removal agreements, with Microsoft purchasing 3 million tons of carbon removal credits over a 15-year period, generated through *re.green*'s reforestation projects in Brazil.

The deal marks the second large-scale Brazil reforestation-focused carbon removal agreement for Microsoft, following a 1.5 million ton offtake deal with Brazil-based Mombak in December 2023, and further builds Microsoft's increasingly prolific carbon removal portfolio, forming part of the tech giant's initiative to become carbon negative by 2030.

Central Banks.

The Bank of England held interest rates at 5.25% at their latest meeting with Governor, Andrew Bailey, saying that he was "*optimistic that things are moving in the right direction*". He expects inflation to fall close to its 2.00% target in the next couple of months, paving the way for an interest rate cut in the coming months.

He also said it was "*likely that we will need to cut bank rates over the coming quarters*" and by more than financial markets are currently predicting.

Commodities.

Both Soybeans (+4.24%) and Natural Gas (3.50%) continued their prior trend, making good gains for the week whilst other components of the energy sector were mixed. Gasoline fell by 2.87% for the week as new data from the EIA showed that gasoline stockpiles rose by nearly 1 million barrels, surprising markets that expected a 1.2 million drawdown. This marks the second consecutive week of an unexpected build-up in domestic inventories in the US.

Week Ahead.

Of the major releases this week, the US releases Producer Price Index data on Tuesday with the leading indicator of inflation expected to be 0.30% (0.20% prior). Wednesday sees the Eurozone GDP figures, which are expected to show 0.40% growth (year on year) ahead of 0.10% prior. And on Friday the Eurozone publishes its inflation figures with CPI forecast to be unchanged at 2.40% 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 UK exits recession with fastest growth in nearly three years, by Suban Abdulla and David Milliken, Reuters, 10/05/24

Central Banks Bank of England 'optimistic' as it edges closer to summer rate cut, BBC News, 09/05/2024

ESG Microsoft Signs Another Reforestation-Based Carbon Removal Megadeal, by Mark Segal, ESG Today, 13/05/24

Geopolitics Blinken, in Kyiv, says U.S aid arriving at 'challenging' time for Ukraine, By Simon Lewis, Reuters, 14/04/24

Commodities Data sourced from Koyfin and Investing.com

Week ahead Data sourced from Investing.com

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