

Weekly market review

28th May 2024.

A look back at the previous week's markets.

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A look back at the markets...

- **ECB Primed for Rate Cuts: Villeroy Signals 'Done Deal' Next Month**
- **Weapons to Taiwan En Route Amid China's Intimidation**
- **UK Inflation Set to Hit Three-Year Low**
- **BoE Suspends Policymaker Speeches During Election Period**

Market Recap.

The Nasdaq 100 ETF (+0.66%) was the only positive for the week as it was least effected by the news that both manufacturing and services growth was higher than expected. The prospect of higher growth calls into question the timing of interest rate cuts in the US, which markets are keen to see.

The S&P 500 ETF (-0.53%), FTSE 100 ETF (-1.26%) and Dow Jones ETF (-2.46%) were more challenged, with the UK 'tracker' effected by news of slightly higher inflation in the UK, than previously expected.

News.

The European Central Bank has plenty of room for rate cuts and current market expectations for easing over the long-run are reasonable, ECB policymaker Francois Villeroy de Galhau said in a recent interview.

After a first rate cute next month that Villeroy described as a "*done deal*", debate among ECB policymakers remains open about how fast and far to keep easing after that. Villeroy, who is also the governor of the French central bank, has repeatedly made the case for the ECB adopting an approach of "*maximum optionality*" after June.

Geopolitics.

Senior U.S. lawmaker, Michael McCaul, visiting Taipei said on Monday that weapons Taiwan had ordered are finally on their way, and that China's "*intimidating*" war games last week underscored the need to boost the island's deterrence abilities. McCaul said the Chinese military's "armada" last week had sent a very strong message to the United States.

China claims democratically governed Taiwan as its own territory and has never renounced the use of force to bring the island under its control. Taiwan's government rejects Beijing's sovereignty claims.

Inflation.

Inflation in Britain eased by less than expected and a key core measure of prices barely dropped, prompting investors to pull bets on a Bank of England rate cut next month.

The consumer price index (CPI) rose by 2.30% in the 12 months to April, down sharply from March's 3.20% increase and its lowest since July 2021, the Office for National Statistics said. Sterling jumped and investors slashed the chance of a BoE rate cut in June to just 18%, down sharply from 50% on Tuesday.

Central Banks.

The Bank of England has cancelled all speeches by its policymakers for the duration of the upcoming 4 July General Election. To avoid political influence, a spokesperson for the bank confirmed there would be neither speeches nor public statements from central bank officials, however, essential business would continue.

This includes the 20 June interest rate decision, which will be the last move from the BoE before the public goes to the polls. The same practice will be adopted for the Financial Stability Report, which will still be published on 27 June. The accompanying press conference, however, has been cancelled.

ESG.

Google have announced two new solar power purchase agreements (PPAs) in Japan, its first in the country, supporting the construction of new solar projects that will add 60 MW of clean energy capacity to the Japanese grid.

According to Google, the new agreement will contribute to its commitment to power all its operations on 24/7 carbon-free energy (CFE) by 2030. Operating on 24/7 CFE means matching electricity demand with CFE supply every hour of every day, in every region where the company operates.

Commodities.

Cotton rose by 5.99% as an increase in rainfall is anticipated in the Texas Coastal Bend area this week, potentially posing a risk of damage to the cotton crop.

Natural Gas fell by 6.32% as markets pulled back from a near-term rally that peaked on 22nd May.

Copper retreated by 5.46% as import demand in China, the world's top copper consumer, remained at low levels despite tight ore supply and low treatment volumes in the country's huge refining industry.

Week Ahead.

On Tuesday, US Consumer Confidence figures are published, with the market expecting a reading of 96, slightly below the prior reading of 97, suggesting a more cautious consumer until clearer signs of interest rate policy. The main releases for the week start on Thursday when the US will release its GDP growth figures, with Quarter-on-Quarter growth expected to slow to 1.30% compared to 3.40% prior. And on Friday, the Eurozone publishes its inflation figures, with year-on-year CPI expected to slow to 2.40% from 2.50% prior. The US also releases its Personal Consumption Expenditure (PCE) Price Index figures, a leading indicator of inflation. Markets will be expecting a lesser Year-on-Year figure than the 2.80% reported last month.

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 ECB has significant room for rate cuts - Villeroy, by Reuters, 27/05/24

Inflation UK inflation pressure stays hot, dashing hopes for June rate cut, by Andy Bruce and Suban Abdulla, Reuters, 22/05/24

Central Banks BoE confirms 20 June rates decision but cancels all speeches prior to election, by Investment Week, 23/05/2024

ESG Google Signs its First Renewable Energy Purchase Deals in Japan, by Mark Segal, ESG Today, 27/05/24

Geopolitics US lawmaker tells Taiwan weapons are coming, China drills show deterrence need, By Ben Blanchard, Reuters, 27/05/24

Commodities Data sourced from Koyfin and Investing.com

Week ahead Data sourced from Investing.com

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