

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...

- **U.S. Q1 GDP Growth Slows to 1.3%, Interest Rate Cuts Possible**
- **China Maintains Stance on Disputed Persian Gulf Islands**
- **Eurozone Inflation Rises to 2.6% in May, Driven by Services Sector**
- **Pernod Ricard Partners with ecoSPIRITS for Sustainable Packaging**

Market Recap.

Markets retreated for the week, with all major indices lower. The FTSE 100 ETF (-0.45%) was the leader, followed by the S&P 500 ETF (-1.81%) and the Dow Jones ETF (-2.43%).

The Nasdaq 100 ETF (-2.92%) was hit harder as the US economy grew by less than expected for the prior quarter.

News.

The U.S. economy grew more slowly in the first quarter than previously estimated after downward revisions to consumer spending and a key measure of inflation ticked down, keeping the Federal Reserve on track to possibly begin cutting interest rates at least once before the end of the year.

Gross domestic product - the broadest measure of economic activity - grew at an 1.3% annualized rate from January through March, the Commerce Department reported on Thursday, down from the advance estimate of 1.6% and notably slower than the 3.4% pace in the final three months of 2023.

Geopolitics.

China held its stance on three disputed islands in the Persian Gulf on Monday despite Tehran's anger at Beijing for describing the Iran-controlled islands as a matter to be resolved with the United Arab Emirates.

In a statement last week, China expressed support for the efforts of the UAE to reach a "peaceful solution" to the issue of the islands - the Greater Tunb, the Lesser Tunb and Abu Musa. The islands, claimed by the UAE and Iran, have been held by Tehran since 1971.

Inflation.

The annual inflation rate across the eurozone is expected to be 2.6% in May, statistics body Eurostat reports, up from 2.4% in April, driven by rising prices in the services sector.

Economists had expected a smaller rise in inflation, to 2.5%. That takes CPI inflation away from the European Central Bank's 2% target, just as investors anticipate an interest rate cut by the ECB next week. According to Eurostat, services inflation rose to 4.1% in May, up from 3.7% in April, while food, alcohol & tobacco inflation slowed to 2.6% (from 2.8% in April).

Central Banks.

Many are looking ahead to Wednesday this week which sees the European Central Bank announce its latest interest rate decision. The market has forecast a 0.25% cut in rates, from 4.50% to 4.25%, easing borrowing costs for businesses and consumers alike.

ESG.

Pernod Ricard, the producer of Absolut Vodka, and circular economy solutions provider ecoSPIRITS have announced new five-year global licensing agreement for the distribution of Pernod Ricard's brands using ecoSPIRITS' circular packaging technology.

The deal is aimed at reducing waste and carbon emissions from the production and transportation of bottles and other secondary packaging.

Commodities.

Only three of the main commodities made a gain for the week, with Natural Gas (+1.59%) out in front. Cotton fell by 6.37% in a volatile period due to continued uncertainty around weather conditions affecting the crop. In addition, the USDA's weekly crop progress report, indicating that 60% of the cotton crop was in good-to-excellent condition, contributed to the bearish sentiment.

Week Ahead.

Major economies will publish the results of their major economic indicators, starting with the UK and US manufacturing PMIs with the UK forecast to be 51.3 compared to 49.1 prior. The US is forecast to be 50.9 against 50.0 prior. Eurozone, UK and UK service sector PMIs are scheduled to be released on Wednesday, whilst Thursday is an important day in the economic calendar as the European Central Bank publishes its interest rate decision. And on Friday, the EU announces its latest GDP growth figure.

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 Consumers curb US economic growth in first quarter, inflation cools, by Lindsay Dunsmuir, 30/05/24

Inflation Eurozone inflation jumps to 2.6%; UK house prices rebound; US PCE index lifts rate cut hopes – as it happened, by The Guardian, 31/05/24

Central Banks Data sourced from Investing.com, 03/06/2024

ESG Pernod Ricard Signs Global Sustainable Packaging Agreement with Circular Economy Startup ecoSPIRITS, by Susan Lahey, ESG Today, 29/05/24

Geopolitics China maintains stance on disputed Gulf islands despite Iran's anger, By Reuters, 03/06/24

Commodities Data sourced from Koyfin and Investing.com

Week ahead Data sourced from Investing.com

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