

Weekly market review

10th June 2024.

A look back at the previous week's markets.

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A look back at the markets...

- **Nasdaq Nabs the Top Spot Amid Mixed Data**
- **Eurozone Bounces Back with Best Growth Since 2022**
- **Natural Gas Soars as Coal Crumbles**
- **ECB Cuts Rates, Keeps Future Moves Under Wraps**

Market Recap.

It was a big week for markets, as the Nasdaq 100 ETF (+3.08%) led the way, despite mixed economic data. The S&P 500 ETF (+2.17%) and Dow Jones ETF (+1.79%) were also boosted as the rising tide in the US lifted most boats. Only the FTSE 100 ETF (-0.09%) failed to make gains as oil prices continued to decline.

News.

The Eurozone economy expanded by 0.30%, Quarter on Quarter, in the first three months of 2024, recovering from a 0.10% contraction in each of the previous two quarters. It also marks the strongest GDP growth since the third quarter of 2022, with net trade making the largest upward contribution. Exports rose by 1.40%, way better than a 0.20% rise in Q4 of 2023.

Geopolitics.

The United States needs Japan's help to cope with strategic challenges in Europe and Asia that are straining its defence industries, the U.S. Ambassador to Japan said on Monday as the countries kicked off talks on military industrial cooperation. On Sunday, Japan and the U.S. kicked off their first talks in Tokyo on forging deeper defence industry collaboration under the U.S.-Japan Forum on Defense Industrial Cooperation, Acquisition and Sustainment (DICAS) established in April by Japanese Prime Minister Fumio Kishida and U.S. President Joe Biden.

Inflation.

This Wednesday will see the release of an inflation report (CPI) in the US. Forecasts suggest the annual inflation rate will remain at 3.40%, while the core rate may decrease slightly to 3.50%, a fresh 3-year low. Compared to the previous month, the headline CPI is predicted to rise at a slower 0.20%, while the core CPI is seen steady at 0.30%. The Fed is likely to keep interest rates on hold at their meeting this week.

Commodities.

Natural Gas continued its rise, adding 5.11% for the week as US gas production is still down around 9% in 2024, as firms delayed well completions and reduced drilling activities for 2024. Coal fell by 7.93%, driven by projections of declining demand in China for the third consecutive year. This downturn is attributed to stagnation in the property and infrastructure sectors.

Central Banks.

The European Central Bank cut interest rates for the first time in five years on Thursday but kept investors in the dark about its next move given increasing uncertainty over inflation after a sharp slowdown in the past year.

The ECB lowered its record-high deposit rate by 25 basis points to 3.75%, joining the central banks of Canada, Sweden and Switzerland in starting to unwind some of the steepest rate hikes used to tame a post-pandemic inflation surge. "The Governing Council will continue to follow a data-dependent and meeting-by-meeting approach to determining the appropriate level and duration of restriction," the ECB said in a statement.

ESG.

Global mining and metals company Rio Tinto have announced plans to develop a new facility in Western Australia, aimed at testing the effectiveness of a new low-carbon ironmaking process, including a pilot plant to test production at a semi-industrial scale.

Rio Tinto expects to invest \$143 million (A\$215 million) in the project, which the company said will support the decarbonization of the steel value chain. Steelmaking is one of the biggest emitters of CO2 globally, with total greenhouse gas emissions (GHG) from the sector accounting for 7% – 9% of direct emissions from the global use of fossil fuels.

Week Ahead.

Wednesday is the most widely anticipated day in the economic calendar.

Among the major announcements, the UK announces GDP (Month on Month) which is expected to be 0.00% compared to 0.40% prior. The US inflation figure is published, with markets expecting no change in the rate of CPI inflation (3.40%), Year on Year. And the US Federal Reserve announces its interest rate decision, with markets expecting that to remain unchanged at 5.50% (upper limit).

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 Trading economics, 10/06/24

Inflation Nathan Sweeney, Marlborough Investment Group

Central Banks ECB cuts rates, keeps next move under wraps, by Reuters, 06/06/2024

ESG Rio Tinto to Invest \$143 Million in New Low Carbon Steel Project, by Susan Lahey, ESG Today, 07/06/24

Geopolitics US needs Japan's help to boost military production, ambassador says, By Tim Kelly, Reuters, 10/06/24

Commodities Data sourced from Koyfin and Investing.com

Week ahead Data sourced from Investing.com

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